盛洋投资

Gemini Investments (Holdings) Limited

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

2018
Annual Report

CONTENTS

Financial Highlights

(HK$'000)	**2018**	2017
Revenue	**189,815**	55,565
Profit/(Loss) before income tax	**43,397**	(72,341)
Profit/(Loss) for the year	**30,733**	(87,018)
Profit/(Loss) attributable to owners of the Company	**12,229**	(87,018)
Earning/(Losses) per share		
— basic (HK dollars)	**0.03**	(0.19)
— diluted (HK dollars)	**0.01**	N/A

(HK$'000)	**2018**	2017
Total assets	**6,569,464**	6,589,265
Equity attributable to owners of the Company	**5,529,034**	5,475,671
Cash and cash equivalents	**816,569**	1,514,828

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 2018 (the "**Year**" or "**2018**").

FINANCIAL RESULTS

During the Year, our Group recorded a profit attributable to its owners of approximately HK$12.2 million (2017: loss of approximately HK$87.0 million). Such turnaround from loss to profit was mainly as a result of our effort of investments made during the Year and prior years, and the capital structure optimisation work performed since 2017.

The Board does not recommend the payment of any final dividend on the convertible preference shares and the ordinary shares of the Company for the Year.

CORE MOVES

Our Group is principally engaged in investment in fund platform, property investment and development, fund investments, and securities investment business.

In regards of investment in fund platform, our Group continued to seek valuable investment opportunities, especially technology-centric markets in the United States of America (the "**U.S.**"), in order to grow a rising prominence for our fund platform business, while at the same time continued to realise investment in non-focus areas. In the first quarter of 2018, our Group acquired equity interests in an investment partnership (the "**Investment Partnership**"), which owns and operates a premier office campus in the heart of San Francisco Peninsula, California, the U.S.. Such office campus comprises a 3-storey commercial building and is entirely let to an investment grade credit-backed tenant. Such acquisition generated stable rental income to our Group of approximately HK$56.4 million during the Year. Moreover, our Group will also be able to enjoy back-end carried interest of such investment from future capital appreciation.

In regards of property development, our Group has been working together with our well-established business partners on our pilot redevelopment project located at Sixth Avenue of Manhattan, the heart of New York City, since last year. We are planning a mixed-use residential building with 145-foot tall and an estimated gross floor area of development of approximately 82,000 square feet, with unique product types and splendid amenities. The overall process is on the right track that we have completed the demolition work of the existing two vacant buildings on the project site, with construction work commenced in the first quarter of 2019 and expected to be completed in the fourth quarter of 2020.

Chairman's Statement

LOOKING AHEAD

Looking at the international macro environment, volatile geopolitical landscape is expected to continue to raise uncertainties to the future macroeconomic outlook. Accordingly, we need to stay very cautious about overall economic development when we look at new opportunities especially taking into consideration of key uncertainties including the Brexit which shows no immediate signs of resolution, the relationship between the U.S. and China which is expected to remain unpredictable and constantly in flux, and the tightening of the U.S. monetary system which tends to hit emerging markets.

Meanwhile, we will continuously to enhance our operational efficiency as well as internal risk control system, through strengthening in-depth local market knowledge, knowhow, and solid and active project management skills, leveraging on our existing business partners and networks, so as to swiftly response to the fluctuating market environment when exploring new opportunities.

We will still keep close attention to explore and seek sound business opportunities globally in core markets, including but not limited to Hong Kong and China Greater Bay Area, so as to take timely steps when good opportunities appear.

APPRECIATION

On behalf of the Board, I would like to express my 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 Group Holding Limited ("**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 2019

FINANCIAL REVIEW

Revenue

During 2018, our Group recorded a significant increase in revenue to approximately HK$189.8 million (2017: approximately HK$55.6 million), which was mainly due to (i) increase in rental income of approximately HK$56.4 million as a result of our acquisition in the first half of 2018 of equity interests of the Investment Partnership which owns a premier office campus in the heart of San Francisco Peninsula, California, the U.S., and (ii) increase in dividend income by approximately HK$77.7 million mainly as a result of the harvest of certain fund investments of the Group invested in early years.

The following table sets forth our Group's revenue breakdown for 2018 and 2017:

	2018	2017
	HKD'000	HKD'000
Rental revenue	**93,131**	36,556
Dividend income	**96,684**	19,009
	189,815	55,565

Share of results of joint ventures

Loss arising from share of loss of joint ventures of approximately HK$2.8 million (2017: gain of approximately HK$12.1 million) was recorded during the Year, which was attributable to the share of loss in our U.S. real estate fund platform – Gemini-Rosemont Realty LLC ("**GR Realty**"). During the Year, market valuation of certain properties in non-core cities and submarkets declined and certain projects in non-core cities and submarkets were realised, resulting in a loss to GR Realty. However, GR Realty observed a divergence in trend between cities and submarkets in the U.S. real estate market and thus has refined its strategy to proactively focus on selected core cities and submarkets, aiming to further unlock investment opportunities and drive outsized return relative to the core ones. With the continued robust performance in the selected core cities and submarkets, the loss in the second half of the Year has narrowed, which marked the success of the strategy of GR Realty.

Finance Costs

Finance costs for the Year decreased significantly from approximately HK$88.4 million to approximately HK$31.6 million, primarily as a result of the capital structure improvement of the Company implemented in 2017 which effectively reduced non-cash imputed interest expense and interest expense relating to a shareholder's loan owed by the Company to Grand Beauty Management Limited ("**Grand Beauty**"), a subsidiary of Sino-Ocean. Under the capital structure improvement, the shareholder's loan was replaced by the issuance of a perpetual bond of an aggregate principal amount of approximately HK$2,259.5 million to Grand Beauty in May 2017, which was recognised as the equity of the Company. As a result, no further finance cost was recognised for the shareholder's loan after the issuance of the perpetual bond. In November 2018, the Group fully repaid a bank borrowing with a principal amount of HK$500.0 million, which flagged expectations for a further reduction in finance costs in the following year.

Other Expenses

Other expenses of the Group increased to approximately HK$84.1 million from approximately HK$81.5 million for 2018. Other expenses included direct operating expenses arising from investment properties held by the Group of approximately HK$35.4 million (2017: approximately HK$28.2 million) and general operating costs of the Group of approximately HK$48.7 million (2017: approximately HK$53.3 million), such as rent and rate, professional fees paid for daily operations and investment research, and other administrative and office expenses.

Profit attributable to owners of the Company

Our Group recorded profit attributable to owners of the Company of approximately HK$12.2 million for the Year as compared to a loss attributable to owners of the Company of approximately HK$87.0 million in 2017. Consequently, our Group recorded basic earnings per ordinary share of approximately HK$0.03 for the Year versus basic losses per ordinary share of approximately HK$0.19 in 2017. The diluted earnings per ordinary share for the Year was HK$0.01 (2017: N/A as a result of anti-dilutive effect). Our management will continue to focus on the improvement of our shareholders' return as their on-going principal task.

Capital Reduction and Amendments to the terms of the Convertible Preference Shares of the Company (the "CPS")

Aiming for more flexible dividend policy and enhancing the confidence of our shareholders, potential investors and business partners so as to benefit our Group's future business development and in particular along with the continued strong financial support from Sino-Ocean, our Group has been actively seeking for ways to improve its financial position and optimise its capital structure.

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 then in issue. The capital reduction has become effective on 3 May 2018, and a credit in the amount of approximately HK$130.0 million has arose from the capital reduction and been transferred and credited to a capital reduction reserve account of the Company, which will 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 announcements of the Company dated 28 January 2018 and 3 May 2018 and circular of the Company 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 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.

The proposed amendments under the second supplemental deed, which constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, had been approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 28 March 2018 and had become effective on 25 April 2018. Details of the transaction are set out in the announcement of the Company dated 28 January 2018 and circular dated 28 February 2018.

Financial Resources and Liquidity

As at 31 December 2018, the principal amount of our total borrowings decreased to approximately HK$425.3 million (2017: approximately HK$500.0 million), which was due to the combined effect of (i) recognition of bank borrowing denominated in U.S. dollars ("**US$**") of 54.3 million (equivalent to approximately HK$425.3 million) bearing at fixed interest rate of around 3.72% per annum and repayable in 2028 (the "**U.S. Bank Borrowing**"); and (ii) full repayment of a bank borrowing with principal amount of HK$500.0 million in November 2018. The U.S. Bank Borrowing was attributable to the borrowing of the Investment Partnership whose equity interests were acquired by the Group in February 2018 and whose assets and liabilities (including the U.S. Bank Borrowing) are consolidated accordingly in our Group's consolidated financial statements. Apart from the above, our Group did not have any other interest-bearing debt as at 31 December 2018.

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 2018, total cash resources (including bank balances and cash and short-term bank deposits) of our Group amounted to approximately HK$816.6 million (2017: approximately HK$1,514.8 million) which is sufficient to pay off all borrowings of our Group with a principal amount of approximately HK$425.3 million (2017: approximately HK$500.0 million). Therefore, our Group did not have any gearing on a net debt basis as at 31 December 2018 and 2017.

Given our adaptable financial management policy amid the continued strong financial support from Sino-Ocean, 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 2018 and 31 December 2017, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 31 December 2018, our Group had pledged deposits of approximately HK$16.1 million (2017: Nil) and pledged investment properties in the U.S. with a carrying value of approximately HK$719.1 million (2017: Nil). The pledged deposits and investment properties have been used to secure a long term bank borrowing of US$54.3 million (equivalent to approximately HK$425.3 million) of the Investment Partnership, with a fixed interest rate of around 3.72% per annum.

Management Discussion & Analysis

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 6 to the consolidated financial statements of our Group as disclosed 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.. During the Year, our Group shared a loss of approximately HK$2.8 million (2017: gain of approximately HK$12.1 million) as a result of its interest in GR Realty. Our interest in GR Realty, together with interest in certain syndicated projects controlled by GR Realty, decreased from approximately HK$967.0 million as at 31 December 2017 to approximately HK$858.6 million as at 31 December 2018, due to distribution with return of capital arising from realisation of projects of non-core cities and submarkets.

During the Year, GR Realty continued to engage in the ownership and/or management of its investment portfolio, comprising over 41 commercial properties (63 buildings), with over 8.7 million square feet in 15 states across the U.S.. 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 enable our Group to grow a rising prominence in the U.S. real estate market, in particular amongst technology-centric markets in the U.S..

To further deepen our footprint in the U.S., in February 2018, our Group completed acquisition of (a) 100% general partnership interest of a limited partnership in the U.S. (which indirectly holds and controls the entire general partnership interest and 0.5% limited partnership interest in the Investment Partnership); and (b) 19.5% limited partnership interest in the Investment Partnership for a total cash consideration of approximately US$7.4 million (equivalent to approximately HK$57.8 million). The Investment Partnership owns and operates a premier office campus in the heart of San Francisco Peninsula, California, the U.S. (the "**Office Property**"). Such acquisition enables our Group to have effective control over the respective general partners of the Investment Partnership, and therefore our Group has the full, exclusive and complete right, power, and discretion to operate, manage, and control the business and affairs of the Investment Partnership. Follow the acquisition, the Office Property is recognised as an investment property to generate stable rental income with contribution of rental income of approximately HK$56.4 million during the Year. The Office Property comprises a 3-storey commercial building with gross floor area of approximately 159,000 square feet and is entirely let to an investment grade credit-backed tenant (being a member of a group which is one of the world's leading manufacturers of automobiles and commercial vehicles) for use as its laboratory offices. The Office Property is expected to be positioned as the strategic key center of the tenant in the U.S..

Property Investments and Development

The Group's investment properties comprise of commercial and residential real estate in Hong Kong and the U.S..

During the Year, our Group recorded a revaluation gain for its investment properties of approximately HK$62.9 million (2017: approximately HK$22.1 million), attributable to appreciation of various investment properties located in Hong Kong and the U.S.. During the Year, our Group has acquired residential units and carparking space, all situated in Hong Kong, at a total consideration (excluding transaction costs and tax) of approximately HK$32.3 million. Besides, our Group disposed of a residential unit in New York at a consideration of US$1.2 million (equivalent to approximately HK$9.1 million) during the Year. As at 31 December 2018, our Group held investment properties comprising A-grade office premises in Hong Kong and the U.S. with gross floor area of approximately 14,000 square feet and 305,000 square feet respectively, and residential units and car parking space in Hong Kong and New York with gross floor area of approximately 2,800 square feet and 17,000 square feet respectively. For all the above investment properties (based on square feet), the average occupancy rate was over 95% as at 31 December 2018.

The Group, through its indirect wholly-owned subsidiary, is the registered owner of a redevelopment project located at 531-537, 539th Sixth Avenue of Manhattan, the heart of New York City which was acquired in 2017 with a consideration of US$53.0 million (equivalent to approximately HK$414.3 million) and has a site area of approximately 8,054 square feet (the "**Redevelopment Site**"). As at 31 December 2018, the Redevelopment Site has a carrying value of approximately HK$479.5 million (2017: approximately HK$442.0 million).

The Redevelopment Site will be developed into a mixed-use residential building structure with 145-foot tall and the estimated gross floor area for the development under the Redevelopment Site is approximately 82,000 square feet. Our Group plans to structure unique product types in this Redevelopment Site with splendid amenities, with gross floor area of approximately 74,000 square feet dedicated to residential use with the creation of condominiums (some being duplex units which are in scarcity in Manhattan) and gross floor area of approximately 5,700 square feet being for commercial-retail spaces on the ground floor.

The demolition work of the Redevelopment Site has been completed with construction works commenced in the first quarter of 2019 and expected to be completed in the fourth quarter of 2020.

Fund Investments

As at 31 December 2018, our fund investment portfolio recorded fair value of approximately HK$2,191.8 million which was reclassified from available-for-sale investments to financial assets at fair value through profit or loss during the Year. Those investments have been re-measured with fair value of HK$2,255.3 million as at 1 January 2018 after the adoption of Hong Kong Financial Reporting Standard 9. A substantial decrease in the fair value of approximately HK$63.5 million was recorded in 2018 which was mainly attributable to dividend distribution of approximately HK$84.7 million recognised as a result of harvest of certain fund investments of the Group invested in early years.

Management Discussion & Analysis

Global stock market is expected to face with various uncertainties of different political and economic circumstances. Our Group will adopt and maintain a cautious and pragmatic approach in the fund investments. To alleviate the impact arising from the uncertainties in the global stock market, our Group will focus more on other investment channels in order to bring better returns for our shareholders.

Securities and Other Investments

During the Year, our Group recorded a significant loss arising from changes in fair value of financial instruments held for trading of approximately HK$43.2 million (2017: approximately HK$1.6 million). The listed securities held by the Group are mainly listed on the Hong Kong and overseas stock markets. In line with the downward trend of global stock market during the Year, precipitous decline in stock prices caused such significant loss in 2018. Also, our Group recorded dividend income from securities and other investments of approximately HK$2.7 million (2017: approximately HK$2.6 million) and approximately HK$9.3 million (2017: approximately HK$16.4 million), respectively.

As at 31 December 2018, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong and overseas of approximately HK$170.9 million (2017: HK$267.8 million). 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 2018, the total number of staff employed was 32 (2017: 26). During the Year, the level of our overall staff cost was approximately HK$26.5 million (2017: approximately HK$31.5 million).

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 2018, our Group had no significant contingent liabilities.

Capital Commitments

As at 31 December 2018, the Group had capital commitments of approximately HK$18.5 million (31 December 2017: approximately HK$11.9 million), of which HK$18.5 million (2017: approximately HK$9.7 million) were attributable to property development expenditure for the Redevelopment Site. It is expected that the Group will finance such commitments from its own funds and external financing (such as bank loans).

Other Information

Despite the uncertainties on global economic outlook caused by the phased intensification development on the trade war between China and the U.S, Brexit, and recent corrections in the financial markets, our Group will maintain a cautiously optimistic view on our investments and will continue to closely monitor the performance and risk exposure of the investments from time to time so as to secure our shareholders' benefits.

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.

RELATIONSHIP 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, US$ 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 Hong Kong and the U.S.

Our Group's property portfolio is principally located in Hong Kong and the U.S.. 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 either Hong Kong or the U.S. may have a significant impact on our Group's 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 in Hong Kong or the U.S. may introduce property cooling measures from time to time, which may have a significant bearing on the property market in Hong Kong or the U.S. and adversely affect the property value and rental return of our Group's property portfolio as well as profitability of our property development business, and our financial condition. Further growth of our Group's property development business may also be impacted by the supply and price levels of land in Hong Kong and/or the U.S.. In addition to the economic and market conditions mentioned above, other domestic and external economic factors including but not limited to supply and demand conditions, and stock market performance may affect our Group's property investments and development business.

Biographies of Directors and Senior Management

BOARD OF DIRECTORS

Mr. LI Ming, aged 55, 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 the board of directors of Sino-Ocean Group Holding Limited ((“**Sino-Ocean**”, which, together with its subsidiaries, “**Sino-Ocean Group**”), a controlling shareholder of the Company and listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 3377)). Mr. LI joined the Sino-Ocean Group as a general manager in July 1997 and became the chief executive officer in August 2006 before serving as the chairman of the board of Sino-Ocean since 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 the overall management of Sino-Ocean’s operations and the implementation of development strategies. Mr. LI is a member of the 13th National Committee of the Chinese People’s Political Consultative Conference, the honorary vice-president of the China Real Estate Association, a member of the Chartered Institute of Building in the United Kingdom and a qualified senior engineer. Mr. LI was a member of the 10th and 11th Beijing Municipal Committee of the Chinese People’s Political Consultative Conference and deputy to the 13th, 14th and 15th People’s Congress of Chaoyang District of Beijing. He was 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 University of Technology in July 1985; graduated in Civil Law from the Law Faculty of the Graduate School of Chinese Academy of Social Sciences in April 1996; and graduated from China Europe International Business School, obtained a Master’s Degree in Business Administration in May 1998.

Mr. SUM Pui Ying, Adrian, aged 57, 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 management of Sino-Ocean’s operations, responsible for the expansion of Sino-Ocean Group’s overseas business and comprehensively in charge of the Company. Mr. SUM is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow 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 54, 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 29 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 a Chartered Secretary and Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. 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 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 51, has been appointed as a non-executive Director since 22 October 2010. He is currently the chief accountant of Sino-Ocean, as well as the general manager of the asset management centre of Sino-Ocean. In 2006, he became the general manager of the finance department of Sino-Ocean Holding Group (China) Limited (formerly known as Sino-Ocean Land Limited), a wholly-owned subsidiary of Sino-Ocean and was the assistant to the chief executive officer of Sino-Ocean from 2015 to June 2017. Mr. LI was an executive director and a member of the investment committee of the board of directors of Sino-Ocean from March 2016 to August 2018. 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 and is currently primarily engaged in the management of Sino-Ocean's operations, assisting in taking responsibility of the financial management of Sino-Ocean, and assisting in taking charge of Sino-Ocean's finance and asset management. 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 50, has been appointed as a non-executive Director since 1 March 2018. He is currently the financial controller of the capital operation department of Sino-Ocean. 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 47, 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 25 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 (a company listed on the main board of the Stock Exchange, stock code: 794) since February 2009 and Tak Lee Machinery Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8142) since July 2017. Mr. LAW was an independent non-executive director of National Investments Fund Limited (a company listed on the main board of the Stock Exchange, stock code: 1227) during the period from December 2013 to September 2018. In 1999, Mr. LAW obtained a Bachelor of Commerce (Accounting) from Curtin University of Technology in Australia.

Biographies of Directors and Senior Management

Mr. LO Woon Bor, Henry, aged 55, 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 26 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 legal 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.

Ms. CHEN Yingshun, aged 53, has been appointed as an independent non-executive Director since 21 April 2018. She is also a member of the audit committee, the remuneration committee and the nomination committee of the Board. She is the current adviser to the CEO office of CNFinance Holdings Limited. Ms. CHEN has extensive international financial knowledge and management experience with domestic banks in China. From March 2001 to May 2017, Ms. CHEN worked at Beijing Branch of Agricultural Bank of China and served successively as the deputy general manager of the International Business Department of Beijing Branch of Agricultural Bank of China, the assistant to the branch manager of Sub-branch at Development Zone of Beijing Branch of Agricultural Bank of China, the general manager of the International Business Department of Beijing Branch of Agricultural Bank of China, the assistant to the branch manager of Beijing Branch of Agricultural Bank of China, the deputy branch manager of Beijing Branch of Agricultural Bank of China, and an internet finance researcher at Beijing Branch of Agricultural Bank of China. Ms. CHEN also served as the vice chairman of the board of supervisors of Beijing Institute of International Finance（北京市國際金融學會）and the vice president of the Beijing Women Financiers Association（北京市女金融家協會）. Ms. CHEN received a bachelor's degree in finance from the Department of Finance at Nankai University in 1988 as well as a master's degree and a doctorate degree in international finance from Nankai University in 1991 and 2000 respectively. From June 1991 to March 2001, Ms. CHEN was a teacher and an associate professor of the Department of Finance at Nankai University. Ms. CHEN also passed the Securities Association of China's practice qualification examination for securities practitioner in 2015.

SENIOR MANAGEMENT

Ms. LAM Yee Lan
Financial Controller

Ms. LAM Yee Lan, aged 34, joined a joint venture of the Company in 2014 and subsequently joined the Company in 2017. Ms. LAM is the Financial Controller of the Company and director of a number of subsidiaries of the Company for overseeing the finance and treasury management function of the Group, including financial planning and analysis, treasury management, controller functions and risk management. Ms. LAM has 10 years of working experience in audit, accounting, financial analysis and asset management. Prior to joining the Group, she worked as vice president of a Chinese background real estate fund and audit manager for an international audit firm. Ms. LAM holds a Bachelor Degree in Business Administration (Accounting) from The Hong Kong University of Science and Technology. She is also a member of Hong Kong Institute of Certified Public Accountants.

Ms. WANG Xi
Investment Director

Ms. WANG Xi, aged 33, 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 Group. She has 10 years of experience in financial analysis, advising and investment.

Ms. YUE Pui Kwan
Company Secretary

Ms. YUE Pui Kwan, aged 43, joined the Group in 2013. Ms. YUE is the Company Secretary of the Company. She is a Chartered Secretary and Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. YUE has more than 15 years of experience in corporate governance and company secretarial matters. 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.

Biographies of Directors and Senior Management

Mr. CHAN Kin Hang

Associate Director

Mr. CHAN Kin Hang, aged 36, joined the Company in 2015. Mr. CHAN is an Associate Director of the Company and his duty covers investment strategy formation and implementation for the U.S. market investment, which includes conducting market and industry research, deal sourcing and execution. He has extensive experience in commercial real estate investments and valuation. Prior to joining the Company, Mr. CHAN was responsible for overseas investments for another Hong Kong listed company, with primary focus on residential, office and hospitality sectors in Asia Pacific and Europe. He also worked for DTZ (now Cushman & Wakefield) for a considerable amount of time. Mr. CHAN acquired a Master of Science degree in Real Estate from The University of Hong Kong, after obtaining a Bachelor of Commerce degree in Economics and Econometrics from the University of Melbourne.

Mr. CHEUNG Sin Kei

Associate Director

Mr. CHEUNG Sin Kei, aged 34, joined the Company in 2016. Mr. CHEUNG is an Associate Director of the Company and director of a number of subsidiaries of the Company. Mr. CHEUNG's main duty covers coordination, financial control and treasury management of development projects of the Group. He has 11 years' solid experience in auditing, accounting and real estate operation matters. Prior to joining the Company, Mr. CHEUNG was responsible for financial and treasury management for a Hong Kong listed company in real estate industry. Before that, he also worked for PricewaterhouseCoopers Limited. Mr. CHEUNG holds a Bachelor of Business Administration (Hons.) in Accounting from Lingnan University. He is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Secretary and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. CHAN Ding Bong, Andrew

Private Equity Director

Mr. CHAN Ding Bong, Andrew, aged 42, joined the Company in 2018. Mr. CHAN is the Private Equity Director of the Company and is responsible for driving growth and business development of non-US business of the Group. He has about 20 years of experience in real estate and private markets globally. Prior to joining the Company, Mr. CHAN was an executive director for the outbound real estate investing business of IP Investment Management. Before that, he co-founded and acted as Head of Real Estate & Private Equity of Arris Partners. He was the head of funds management for a China real estate joint venture between a Hong Kong-listed PRC developer and a Dutch-led investor consortium. Before that, he was the chief investment officer of non-listed real estate at BNP Paribas Investment Partners, vice president of Merrill Lynch and member of the investment team at AIG Global Real Estate. Mr. CHAN holds a Bachelor degree in Business Administration (Finance) from The Chinese University of Hong Kong.

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 2018 (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 41 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 73 of this annual report.

The Board did not recommend the payment of a final dividend on the convertible preference shares and the ordinary shares of the Company for the Year.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2018 (including discussions on the principal risks and uncertainties that the Group may be facing and on the likely future business development of the Group) is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 3 to 4 and pages 5 to 14 of this annual report.

In addition, discussions on the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group and an account of the Group's key relationships with major stakeholders are contained in the section headed "Environmental, Social and Governance Report" on pages 37 to 49 of this annual report.

SHARE CAPITAL

Capital Reduction and amendments to the terms of the convertible preference shares of the Company (the "CPS")

Aiming for more flexible dividend policy and enhancing the confidence of our shareholders, potential investors and business partners so as to benefit our Group's future business development and in particular along with the continued strong financial support from our controlling shareholder, Sino-Ocean Group Holding Limited ("**Sino-Ocean**"), our Group has been actively seeking for ways to improve its financial position and optimise its capital structure.

On 26 January 2018, the Company entered into a second deed of cancellation with Grand Beauty Management Limited (an indirect wholly-owned subsidiary of Sino-Ocean) ("**Grand Beauty**") for the implementation of the proposed capital reduction involving the cancellation of 43,333,334 CPS held by Grand Beauty, which represented approximately 5.23% of all the CPS of the Company then in issue. The capital reduction has become effective on 3 May 2018, and a credit in the amount of approximately HK$130.0 million has arose from the capital reduction and been transferred and credited to a capital reduction reserve account of the Company, which will 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 announcements of the Company dated 28 January 2018 and 3 May 2018 and circular of the Company dated 28 February 2018.

On 26 January 2018, the Company also entered into a second supplemental deed with Grand Beauty (the "**Second Supplemental Deed**"), pursuant to which the parties conditionally agreed to amend certain terms of 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.

The proposed amendments under the Second Supplemental Deed, which constituted a connected transaction of the Company under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited, had been approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 28 March 2018 and had become effective on 25 April 2018. Details of the transaction are set out in the announcement of the Company dated 28 January 2018 and circular dated 28 February 2018.

Exercise of share options

During the Year, the Company issued a total of 400,000 ordinary shares (the "**Shares**") as a result of the exercise of share options granted under the share option scheme of the Company (whose details are further disclosed in the section headed "Share Option Scheme" below). All such Shares were issued at an exercise price of HK$0.96 per Share and the total consideration received by the Company for such issue is HK$384,000.

As a result of the above, as of 31 December 2018, the Company's total issued Shares had been increased by 400,000 Shares to 451,390,000 Shares.

EQUITY-LINKED AGREEMENTS

Save for the Second Supplemental Deed as disclosed in the section headed "Share Capital" above and 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 AND PROPERTIES UNDER DEVELOPMENT

All of the investment properties of the Group were revalued at 31 December 2018, as set out in Note 17 to the consolidated financial statements of the Group. Properties under development of the Group at 31 December 2018 are set out in Note 22 to the consolidated financial statements of the Group. Particulars of the investment properties and properties under development of the Group as at 31 December 2018 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 18 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

As at 31 December 2018, 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$561.9 million (31 December 2017: approximately HK$223.9 million). Details of the movement in the reserves of the Group and the Company during the Year are set out in Note 29 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)
LAI Kwok Hung, Alex (ED)
LI Hongbo (NED)
TANG Runjiang (NED) (appointed with effect from 1 March 2018)
LAW Tze Lun (INED)
LO Woon Bor, Henry (INED)
CHEN Yingshun (INED) (appointed with effect from 21 April 2018)
CUI Yueming (ED) (resigned with effect from 1 March 2018)
DENG Wei (INED) (retired on 20 April 2018)

Notes:

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

Directors' Report

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. LI Ming, Mr. LAW Tze Lun and Mr. LO Woon Bor, Henry, being three of the Directors who have been longest in office since their last election, will retire from office of the Board by rotation at the forthcoming AGM, and, being eligible, offer themselves for re-election.

Pursuant to Article 99 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the general meeting of the Company, but he/she shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation in case he/she retires at an annual general meeting. Ms. CHEN Yingshun, being an independent non-executive Director, was appointed by the Board to fill a casual vacancy with effect from 21 April 2018, being the day immediately following the date of retirement of Mr. DENG Wei as independent non-executive Director, and shall hold office until the forthcoming AGM. Ms. CHEN Yingshun, being eligible, will offer herself for re-election at the forthcoming AGM.

During the Year and up to the date of this Directors' Report, Mr. LAI Kwok Hung, Alex, Ms. LAM Yee Lan, Ms. WANG Xi, Mr. CHEUNG Sin Kei, Ms. CHEN Fang and Ms. CHEN Yufei 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 section headed "Share Capital" above and amount due to an intermediate holding company, perpetual bond and the related party transactions of the Group as disclosed in Notes 26, 32 and 39 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 2018, 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:

Directors' Report

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

Under the share option scheme of the Company (whose details are further described in the section headed "Share Option Scheme" below), share options were granted to the following Directors which entitled them to subscribe for the Shares. Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them as at 31 December 2018 were as follows:

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2018	Exercise price per Share HK$	Approximate percentage of interest in the issued Shares as at 31 December 2018
LI Ming	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	4,000,000 (L)	0.96	0.886%
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	3.545%
				Total: 18,000,000 (L)		3.988%
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)		0.775%
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)		0.332%

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 2018, 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 2018
LI Ming	Beneficial owner	18,387,000 (L)	0.241%
	Founder of discretionary trust	127,951,178 (L) (Note 1)	1.680%
	Beneficiary of trust	13,918,860 (L) (Note 2)	0.183%
		Total: 160,257,038 (L)	2.104%
SUM Pui Ying	Beneficial owner	3,252,184 (L)	0.043%
LI Hongbo	Beneficial owner	42,596 (L)	0.001%

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 13,918,860 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 certain share incentive schemes for the benefits of eligible directors and employees of Sino-Ocean and its subsidiaries (collectively 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 schemes comprise the share option schemes of Sino-Ocean, one of 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.

At an extraordinary general meeting of Sino-Ocean held on 6 August 2018, a new share option scheme of Sino-Ocean was approved by the shareholders of Sino-Ocean (the "**2018 Share Option Scheme**"), under which share options may be granted to eligible participants to subscribe for new shares in Sino-Ocean. This scheme was adopted for the purpose of providing an incentive for employees of the Sino-Ocean Group to work with commitment towards enhancing the value of Sino-Ocean and its shares for the benefit of shareholders of Sino-Ocean, to enhance the competitiveness of Sino-Ocean's remuneration structure, to attract and retain talents required to achieve Sino-Ocean's long-term strategic targets, and to compensate directors and employees of the Sino-Ocean Group for their contribution based on their individual performance and the performance of Sino-Ocean.

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 an associated corporation of the Company) pursuant to the provisions of the SFO. Details of share awards held by them as at 31 December 2018 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 2018	Approximate percentage of interest in the issued share capital of Sino-Ocean as at 31 December 2018
LI Ming	Beneficial owner	25 March 2016	140,340 (L)	0.002%
		31 March 2017	855,000 (L)	0.011%
		Total:	995,340 (L)	0.013%
SUM Pui Ying	Beneficial owner	25 March 2016	49,316 (L)	0.001%
		31 March 2017	255,000 (L)	0.003%
		Total:	304,316 (L)	0.004%
LI Hongbo	Beneficial owner	25 March 2016	12,236 (L)	less than 0.001%
		31 March 2017	67,500 (L)	0.001%
		Total:	79,736 (L)	0.001%

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

Regarding the 2007 Share Option Scheme and the 2018 Share Option Scheme, the following Directors had been granted share options under such schemes to subscribe for shares in Sino-Ocean and were accordingly regarded as interested in the underlying shares of Sino-Ocean (being an 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 and the 2018 Share Option Scheme as at 31 December 2018 were as follows:

Name of Directors	Capacity	Date of grant of share options	Exercise period (Notes 5 and 6)	Number of shares in Sino-Ocean over which options are exercisable as at 31 December 2018	Exercise price per share HK$	Approximate percentage of interest of such share options held as at 31 December 2018 relative to the issued share capital of Sino-Ocean as at 31 December 2018
LI Ming	Beneficial owner	27 August 2015	(Note 1)	540,000 (L)	4.04	0.007%
		13 April 2016	(Note 2)	6,000,000 (L)	3.80	0.079%
		4 September 2018	(Note 4)	25,000,000 (L)	3.96	0.328%
				Total: 31,540,000 (L)		0.414%
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%
		4 September 2018	(Note 4)	10,000,000 (L)	3.96	0.131%
				Total: 15,800,000 (L)		0.207%
LI Hongbo	Beneficial owner	27 August 2015	(Note 1)	210,000 (L)	4.04	0.003%
		13 April 2016	(Note 2)	1,200,000 (L)	3.80	0.016%
		24 August 2017	(Note 3)	2,000,000 (L)	4.70	0.026%
				Total: 3,410,000 (L)		0.045%

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. Exercisable from 4 September 2019 to 3 September 2023.

5. All the above share options of Sino-Ocean granted on 27 August 2015, 13 April 2016 and 24 August 2017 represent share options granted under the 2007 Share Option Scheme and 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.

6. All the above share options of Sino-Ocean granted on 4 September 2018 represent share options granted under the 2018 Share Option Scheme and are exercisable within a five-year period, of which 50% of the options become exercisable 1 year from the grant date, and all options become exercisable 2 years from the grant date.

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

As at 31 December 2018, 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 34,510,000 Shares, and the Company may further grant share options under the Share Option Scheme to subscribe for 39,550,000 Shares, representing approximately 8.76% 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 2018	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2018	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$	Balance as at 1 January 2018	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2018	Exercise period
			Number of Shares over which options are exercisable						
Employees of the Group	26 August 2011	1.40	400,000 (L)	—	—	100,000 (L)	—	300,000 (L)	26 August 2011 – 22 June 2021
	9 August 2013	0.96	5,820,000 (L)	—	400,000 (L)	1,000,000 (L)	—	4,420,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	2,500,000 (L)	—	—	500,000(L)	—	2,000,000 (L)	9 March 2015 – 22 June 2021
Total			36,510,000 (L)	—	400,000 (L) (Note 1)	1,600,000 (L)	—	34,510,000 (L)	

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the above options were exercised is HK$1.19.

2. 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 2018 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 Hongbo (non-executive Director) has resigned as an executive director and a member of the investment committee of Sino-Ocean with effect from 10 August 2018.

Mr. LAW Tze Lun (independent non-executive Director) has resigned as an independent non-executive director of National Investments Fund Limited (a company listed on the Stock Exchange) (stock code: 1227) with effect from 21 September 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 2018, 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 2018
Sino-Ocean	Interest of controlled corporation (Note 2)	705,504,625 (L)	156.30%
Shine Wind Development Limited	Interest of controlled corporation (Note 2)	705,504,625 (L)	156.30%
Faith Ocean International Limited	Interest of controlled corporation (Note 2)	705,504,625 (L)	156.30%
Sino-Ocean Land (Hong Kong) Limited ("**SOL HK**")	Interest of controlled corporation (Note 2)	705,504,625 (L)	156.30%
Grand Beauty Management Limited ("**Grand Beauty**")	Beneficial owner	312,504,625 (L)	69.23%
	Beneficial owner	393,000,000 (L) (Note 1)	87.06%
		Total: 705,504,625 (L)	156.30%

Directors' Report

Note:

1. These shares represent the 393,000,000 underlying Shares which may be allotted and issued to Grand Beauty, a wholly-owned subsidiary of Sino-Ocean, upon exercise in full the conversion rights attaching to the remaining 786,000,000 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 705,504,625 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 2018, 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 29.7% and 79.2% respectively of the Group's total turnover. The Group's principal businesses are investment in fund platform, fund investments, property investment and development and securities investment businesses, and so the Group did not have five largest suppliers during the Year.

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Year.

CONNECTED TRANSACTIONS

The amendments to the CPS under the Second Supplemental Deed entered into between the Company and Grand Beauty as disclosed in the earlier section headed "Share Capital" constituted a connected transaction undertaken by the Company during the Year. As Grand Beauty was the controlling shareholder of the Company and was directly interested in 312,504,625 ordinary shares of the Company, representing approximately 69.29% of the issued ordinary shares of the Company as at the date of the Second Supplemental Deed, Grand Beauty was a connected person of the Company under the Listing Rules. Grand Beauty and its associates were required to abstain, and had abstained, from voting in respect of the resolutions approving or relating to the Second Supplemental Deed and the transactions contemplated thereunder. The Second Supplemental Deed and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 28 March 2018.

The transaction with parent and transactions with fellow subsidiaries as disclosed in "Related Party Transactions" under Note 39 to the consolidated financial statements of the Group (but excluding the connected transaction relating to amendments to the CPS under the Second Supplemental Deed as disclosed above) constituted connected transactions or continuing connected transactions which 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 39 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 27 to the consolidated financial statements of the Group.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in Note 41 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.

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 37 to the consolidated financial statements of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its 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 2018 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 2019

Environmental, Social and Governance Report

Gemini Investments (Holdings) Limited ("**Gemini**" or the "**Company**", and together with its subsidiaries, "**We**", "**Our**" or "**Our Group**") hereby presents this Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**"), in compliance with the requirements set forth in Appendix 27 Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Scope

This ESG report summarizes the efforts made by and accomplishments of the Company and its major subsidiaries in corporate social responsibility during the period from 1 January 2018 to 31 December 2018 (the "**Reporting Period**"). The report, unless otherwise indicated, covers our operations in Hong Kong, China and the United States of America ("**US**"). Our operations cover 4 business segments, namely, investment in fund platform, property investment and development, fund investments as well as securities investment businesses.

ESG Governance

Our Group is committed to fulfilling stakeholders' expectations on our ESG practices. A designated working group has been established to show our dedication to incorporate ESG elements into our business operations. During the Reporting Period, the company secretarial department of the Company worked closely with other relevant departments to facilitate the ESG reporting process.

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. The management of the Company (the "**Management**") executes the ESG strategies and practices determined by the Board, as well as directly monitors ESG-related risks and internal controls. As part of the Company's risk management and internal control systems, which covered ESG-related risks, a professional adviser has been engaged for annual assessment of our Group's internal controls so as to identify potential risk and control deficiencies and recommend on necessary improvements accordingly. Our Management has provided a confirmation to the Board on the effectiveness of our ESG risk management and internal control systems.

Stakeholder Engagement

With aims to streamline the Company's long term sustainability goals with its current vision and mission, and to pursue greater economic and business value, it is essential to integrate our stakeholders' expectations and requests and to truly understand their concerns.

As such, the identification and clarification of such expectations are explored through our internal and external stakeholder engagement process. Our internal and external stakeholders mainly comprise of our employees, clients, investors and stockholders, suppliers and business partners, government and supervising authorities, social groups and public, and the media. We have been actively engaging them and providing updates on our recent developments through diverse engagement channels. The table below outlines our stakeholder engagement channels:

Stakeholder Groups	***Engagement Channels***
Employees	• Internal emails and publications • Meetings and briefings • Training • Employee Activities • Performance Appraisal
Clients	• Corporate Website • Client Meetings
Investors and Stockholders	• Annual General Meeting • Annual and Interim Report • Press Release and Announcements
Suppliers and Business Partners	• Business Meeting
Government and Supervising Authorities	• Email and Phone Communications
Social Groups and Public	• Email and Phone Communications
Media	• Press Release

Materiality Assessment

In addition to our established engagement channels with each of our stakeholder groups, we have completed a materiality assessment through a stakeholder engagement process which have considered ESG issues relevant to our industry and operations and included the following steps:

1. Identifying potential issues – screen out the initial reference issues with reference to the ESG Reporting Guide of the Stock Exchange.

2. Stakeholders questionnaire – understand and analyse the issues of concern to stakeholders via questionnaires and interviews.

3. Ranking the issues by materiality – prepare the ESG materiality ranking based on the results of the questionnaire.

4. Effective verification – confirm the materiality issues after verification by our management and a third party professional consultant

In accordance with the results from this stakeholder engagement exercise, we have structured the following list of material ESG issues identified by each stakeholder group:

ESG Disclosure Categories	***Material ESG Issues***
Social	
Product Responsibility	• Product Safety and Service Quality • Data Privacy and Protection
Anti-Corruption	• Anti-Corruption and Money Laundering policy
Health and Safety	• Workplace Health and Safety
Development and Training	• Employee Development
Supply Chain Management	• Supply Chain Management • Environmental and Labour performance of suppliers, contractors and subcontractors
Employment	• Remuneration, Recruitment, Promotion, and Termination • Employee Perks and Benefits • Equal Opportunity, Diversity and Anti-discrimination
Community Investment	• Social Involvement • Social activities involved within reporting period
Labour Standards	• Anti-child and Forced Labour
Environment	
Emission	• Greenhouse Gases Emissions • Waste Management
The Environment and Natural Resources	• Environmental Impact
Use of Resources	• Energy Consumption • Water Consumption

SOCIAL

Product Responsibility

Product Safety and Service Quality

The Company is committed to providing customers with quality products and services. We aim at building good corporate reputation by delivering high quality property projects which bring a comfortable living environment and satisfaction to our customers, thereby developing customer loyalty. In light of that, we have established a set of quality standards which have been regularly reviewed to maintain awareness and conformance to national and local laws and voluntary codes.

Data Privacy and Protection

We respect data privacy of our employees, clients, suppliers and business partners. Therefore, we ensure strict compliance with the Personal Data (Privacy) Ordinance (Cap. 486) in Hong Kong, as well as statutory requirements of the US such as the Federal Trade Commission Act (15 U.S.C., 41-58) 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 through the following action points:

- We only collect personal data deemed to be relevant and required in conducting 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.

Anti-Corruption

Anti-Corruption and Money Laundering policy

The Company aims to maintain the highest standards of openness, uprightness and accountability, and such high standard of ethical, personal and professional conduct is reflected upon all our employees. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. These are strictly enforced in our employee handbook, and fully in compliance with the Prevention of Bribery Ordinance (Cap. 201) enforced by the Hong Kong Independent Commission Against Corruption in Hong Kong, and with the Foreign Corrupt Practices Act in the US. Established control, such as a whistle-blowing mechanism, is in place as a private and confidential communication channel for external and internal parties to report 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.

Health and Safety

Workplace Health and Safety

We are committed to providing and maintaining a healthy, safe, and hygienic workplace for all employees and related parties that are 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 in maintaining a vigorous and injury-free culture. Such standards are set forth in our employee handbook, and are in compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. Measures set forth in these guidelines are constantly reviewed and taken to continuously improve the health and safety aspects in the workplace.

In parallel, we take the same precautions for our business operations in the US. Health and safety measures implemented by the construction manager are in place to mitigate health and safety risks at construction site. The site was under demolition stage during the Reporting Period and we have obtained relevant permits and certificates for demolition work for the site, as listed below:

Permits obtained and signed off upon work completion for Soft Demolition (Interior Demolition) during the Reporting Period:

- ACP7: Authorization of Certified Abatement Contractor
- ACP5: Asbestos Assessment Report
- ALT TYPE 2 (Alteration Type 2): General Construction Removal of Interior Partitions

Permits obtained and signed off upon work completion for Hard Demolition (Exterior Demolition) during the Reporting Period:

- DM (Full Demolition: Full Demolition of Four Story Building
- DM (Full Demolition): Full Demolition of One Story Building
- EQ-OT (Full Demolition-Construction Equipment)

These demolition permits can ensure the workplace health and safety of our constructors, employees and general public alike as they serve as a verification that hazardous contaminants are being removed from the site, and that no harmful minerals are found in our building materials that could be detrimental to the health of all related personnel.

The demolition contractor and the construction manager have excellent track records in providing safe job sites in full compliance with the New York City ("**NYC**") Building Code and Safety regulations, as well as the NYC Building Code Chapter 33 "Safeguards During Construction or Demolition" and Occupational Safety and Health Act ("**OSHA**") Regulations (Standards – 29CFR). Regular trainings of onsite personnel are supplemented to ensure familiarity of the processes and procedures and full compliance with the aforementioned regulations.

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

Development and Training

Employee Development

The Company acknowledges the importance of training for the personal and professional development of our employees. As a company which values its employees, we strongly encourage and support our employees through sponsoring training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning, and on-the-job coaching. We also provide reimbursement for external training courses to enhance their competencies in performing their jobs more effectively and efficiently. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

In terms of our property development project in the US, ample time has been dedicated to ensure that relevant personnel have the correct certifications and trainings required to enter the job site. All relevant personnel are required to hold the OSHA 10 Hour Safety Training certificate in order to be eligible for new building construction works. In addition, construction agent has set the goal to require key personnel to obtain the OSHA 40 Hour Safety Training certificate for 2019.

Supply Chain Management

Supply Chain Management

We encourage asset managers, suppliers, consultants and contractors alike to maintain high standards on business ethics and conduct, and strive for constant satisfactory environmental and social performance. During the selection and evaluation processes, we adopt a fair basis with defined assessment criteria to ensure that only qualified suppliers, consultants and contractors are engaged with no conflict of interest. We require suppliers and contractors to follow our Group's policy regarding corporate social responsibility when carrying out their contractual duties.

Environmental and Labour performance of suppliers, contractors and subcontractors

We ensure the environmental and labour performance of our suppliers, contractors and subcontractors, where we take action to evaluate their performance before selecting to cooperate with them. Our construction manager operates with tight controls on limiting the impact on the environment through their established environmental, health and safety program, covering all types of environment and safety protocols including but not limited to health and safety policy, standards of conduct, project site substance abuse test, crisis management planning, and hazard communication. The construction manager has also developed an environmental management plan to monitor waste management, water quality, air quality and other related environmental controls set upon to its respective subcontractors.

Employment

Remuneration, Recruitment, Promotion, and Termination

The Company recognizes our employees as our valuable assets. We constantly strive to attract and retain talent, and reconcile economical imperatives with employee wellbeing so as to reinforce satisfaction, loyalty and commitment towards our human capital. We have developed a human resource policy as part of our employee handbook to govern compensation, dismissal, recruitment and promotion, working hours, equal opportunity, diversity, anti-discrimination and other welfare benefits in accordance with its respective laws and regulations.

The level of compensation of our employees is reviewed annually on a performance basis with reference to their qualifications and performance, and compared to market standards. We strictly abide to the relevant employment rules and regulations stipulated in the Employment Ordinance (Cap. 57) and Employees' Compensation Ordinance (Cap. 282) of Hong Kong, and such policies are also highlighted in our employee handbook. Working hours, leaves, remuneration and other employment practices are reviewed regularly to ensure the compliance with latest labour laws and regulations and the norms of the market where our Group operates.

Our subsidiary in the US has entered into a management agreement as the property owner ("**Owner**") with an agent ("**Owner's Agent**"), where the Owner's Agent retains staff as necessary for the efficient running of our property development project in the US, subject to the approval of the Owner.

Environmental, Social and Governance Report

Employee Perks and Benefits

A wide range of benefits are provided to employees as part of the employee benefits package. Our employees are entitled to enjoy daily meal subsidies under a designated budget, and an extra meal allowance when employees have to work overtime till 8 p.m. In addition, employees are also entitled to travel allowance in the event that they have to work overtime after 10 p.m. Employees can also benefit from the health insurance policy, compensation work injury insurance, and mandatory provident fund. For our operations in the US, we have also been in compliance with the Federal Family and Medical Leave Act, allowing eligible employees leaves of absence for medical reasons, for the birth or adoption of a child, for the placement of a foster child, and for the care of a child, spouse, parents who has a serious health condition. We also offer the paid time off program, which offers flexibility in managing time off.

The Company understands the importance of maintaining work-life balance in managing mental and physical health of employees. As such, social and recreational activities are regularly arranged for the employees, with aims to enhance their work productivity and efficiency. During the Reporting Period, we have organized welcoming event for new joiners as well as Christmas buffet and Chinese New Year luncheon inviting all staffs to celebrate the festive season. We also offered early release for staff on major festivals in Hong Kong. Social dinners are also put together to enhance social bonding with each other.

Equal Opportunity, Diversity and Anti-Discrimination

The Company strongly advocates cultural and individual diversity, and adopts non-discriminatory hiring and employment practices. The Company believes that no one should be treated less favourably based on their personal characteristics, including but not limited to gender, pregnancy, marital status, disability, family status and race. Opportunities for employment, training, and career development are equally opened to all qualified employees, where they are assessed through objective criteria conducted by experienced personnel. We have also implemented the anti-discrimination policy with aims to provide employees with a workplace free from all forms of discrimination, which includes a dispute resolution procedure for resolving complaints alleging discriminatory practices in employment relations.

By adopting the above practices, we comply with, in all material respects, the following ordinances and the relevant codes of practice issued by the Equal Opportunities Commission of Hong Kong: Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), and Race Discrimination Ordinance (Cap. 602). In relation to the our operations in the US, we are aligned with the Americans with Disabilities Act, under which employees could seek extra accommodation of needs with their respective supervisors.

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

Community Investment

Social Involvement

As a corporate citizen, the Company promotes social contributions to the local communities in which we operate. We pride ourselves as industry players that contribute positively to the local community. 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 continuously support our employees to organize and participate in charitable activities that aligns with our core values.

In addition, the Company fully supports our employees in fulfilling civic responsibilities and social obligations through serving jury duty and witness duty when required. Employees are also encouraged to participate in voting and polling in expressing their political interests and views.

Social activities involved within reporting period

We have been involved in cultural preservation. During the demolition stage of our property development project in the US, the Owner's Agent had engaged with preservation contractors in the preservation of a piece of historic artwork that was originally part of the area slated for demolition. The preserved art piece was later transferred for permanent preservation. We will continue to identify positive ways to engage the community. The upcoming agenda includes taking part in an annual community service day that takes place during fall every year.

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.

With the above measures, we ensure strict compliance with the Labour Law in Hong Kong and Fair Labour Standards Act (FLSA) monitored by the US Department of Labour.

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

ENVIRONMENT

Emissions

As our Group is principally engaged in investment in fund platform, property investment and development, fund investments and securities investment businesses, 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.

During the Reporting Period, we engaged in a property development project in the US, where such development was scheduled to a construction manager and commenced in mid-2018 with limited construction work done. As such, greenhouse gases emissions and waste management data have not been accumulated by the construction manager and subcontractors in advance for management and calculation of the ESG impact.

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. Our Hong Kong operations are monitored under the controls of the Environment Bureau, while our US operations are fully aligned with the monitoring under the US Environmental Protection Agency.

The total greenhouse gases generated by the Group during the Reporting Period, mainly comprising of our electricity and petrol consumption, were as below:

Greenhouse gas ("GHG") emission[1]	Units	2018	2017
Total GHG Emissions	Tonnes CO2e	42.4	37.7
Total GHG Emissions Intensity by Headcount[2] (approximate)	Tonnes CO2e	2	2

Increases in the totals for greenhouse gases emissions were due to expansions in our reporting scope to include the new workplace in Hong Kong.

For the consumption details and reduction initiatives, please refer to "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 in all material respects, namely the Waste Disposal Ordinance (Cap. 354) of Hong Kong and the Resource Conservation and Recovery Act (RCRA) Regulations of the US in handling non-hazardous waste.

During the Reporting Period, our Group did not generate significant amount of hazardous waste. The major non-hazardous waste generated was paper, and information on the total non-hazardous waste disposed and recycled were as below:

Waste	Unit	2018	2017
Total non-hazardous waste disposed[3]	Kg	463	587
Total non-hazardous waste recycled	Kg	416	351

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 increased to 416 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. For operations in the US, we operate a small office in Manhattan co-working space, where administrative wastes are limited through leveraging on pooled resources, such as shared printers and other common facilities, and use of recycled paper, metal and plastics.

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

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.

The Environment and Natural Resources

Environmental Impact

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. For our US operations, we have also required our contractors and subcontractors to implement the following policies in managing the impacts to the environment for the following factors:

- Noise: All demolition activities were required to be performed during normal day time work hours (generally 7am to 5pm), in consistent with all the laws and ordinances of the NYC Construction Code

- Safety: Construction fencing, sidewalk bridge and traffic controls prior to and through the full phase of the demolition were required to be installed by the subcontractor to ensure safety. Temporary lights were also provided at all locations of the sidewalk bridging to ensure sufficient lighting.

- Coordination with NYC Agencies: the Owner's Agent consulted extensively with all City Agencies and required all contractors to meet all agency requirements throughout the demolition period.

- Removal of Street Trees: Three Honey Locust trees were to be removed due to site logistics of the future construction period and the requirements of the Department of Transportation. The Owner's Agent and its consultants consulted extensively with the Department of Transportation and the NYC Parks and Recreation Department for this removal, where a restitution fee was paid to the NYC Parks Department for planting of trees at other locations throughout NYC.

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	2018		2017	
		Consumption Quantity	Intensity	Consumption Quantity	Intensity
Electricity	kWh	41,045	1,955	34,252	2,141
Petrol	L	3,291	157	2,887	180

Total electricity consumption across the Group in 2018 was 41,045 kWh. The increase in energy use was due to expansions in our reporting scope to include the new workplace in Hong Kong. Energy consumption involved in the property development project in the US have not been included in the above calculation since the development had been contracted to a contractor and commenced in mid-2018 with limited construction work done.

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. Similarly, for our US operations, we sought to limit energy use during the demolition period through disconnection of electric service at existing buildings, and require use of low energy-use LED fixtures for temporary lightings. We have sought to design new buildings that will conserve energy through its lifecycle in meeting the requirements of the 2016 Energy Conservation Code.

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 endeavours have achieved satisfactory result in water conservation. Meanwhile, the same set of measures applies to our US operations which meets the requirement of the Plumbing and NYC Water Conservation Code.

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 2018 (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.1.1, A.2.7 and E.1.2.

Code Provision A.1.1 requires that Board meetings should be held at least four times a year at approximately quarterly intervals. Whilst a total of four Board meetings had been held during the Year, only two of such Board meetings constituted regular Board meetings as required under Code Provision A.1.1. Notwithstanding this, the Board considered that sufficient Board meetings had been held as business operations were under the management and the close supervision of the executive Directors. In addition, senior management of the Group provided to the Directors updated information on the activities and development in the business of the Group from time to time and, when required, ad hoc Board meetings will be held.

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.

The Chairman 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, Mr. LI Ming (being the honorary chairman of the Board) was unable to attend the annual general meeting of the Company held on 20 April 2018.

BOARD OF DIRECTORS

Board composition

As at 31 December 2018, the Board consisted of a total of eight members, including two executive Directors, three non-executive Directors whereas one of whom was the Honorary Chairman, and three independent non-executive Directors.

During the Year, a total of four board meetings (including two regular board meetings), one annual general meeting (the "**AGM**" which was held on 20 April 2018) and one extraordinary general meeting (the "**EGM**" which was held on 28 March 2018) 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)	0/4	0/1	0/1
Mr. SUM Pui Ying (ED) (Chief Executive Officer)	2/4	0/1	0/1
Mr. LAI Kwok Hung, Alex (ED)	4/4	1/1	1/1
Mr. LI Hongbo (NED)	1/4	0/1	0/1
Mr. TANG Runjiang (NED) (appointed with effect from 1 March 2018)	1/1	1/1	1/1
Mr. LAW Tze Lun (INED)	4/4	1/1	1/1
Mr. LO Woon Bor, Henry (INED)	4/4	1/1	1/1
Ms. CHEN Yingshun (INED) (appointed with effect from 21 April 2018)	1/1	N/A	N/A

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
Mr. LAI Kwok Hung, Alex	a, b
Mr. LI Hongbo	a, b
Mr. TANG Runjiang (appointed with effect from 1 March 2018)	a, b
Mr. LAW Tze Lun	a, b
Mr. LO Woon Bor, Henry	a, b
Ms. CHEN Yingshun (appointed with effect from 21 April 2018)	a, b

Note 1:

a. attending seminar or training session

b. reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.

Directors' and officers' liability insurance and indemnity

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

Corporate Governance Report

Independent advice

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

Independence of Non-Executive Directors

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

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 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 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 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. SUM is HK$180,000 per annum.

The current service contract of Mr. LAI Kwok Hung, Alex as an executive Director has a term of 1 year commencing from 9 August 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. 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 2019, 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 2019, 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 as independent non-executive Directors renewed their appointment letters with the Company for a term of 1 year commencing from 2 January 2019, 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.

Ms. CHEN Yingshun was appointed as an independent non-executive Director for a term of 1 year commencing from 21 April 2018 pursuant to her 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 Ms. CHEN 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. LI Ming, Mr. LAW Tze Lun and Mr. LO Woon Bor, Henry, 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.

Pursuant to Article 99 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the general meeting of the Company, but he/she shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation in case he/she retires at an annual general meeting. Ms. CHEN Yingshun, being an independent non-executive Director, was appointed by the Board to fill a casual vacancy with effect from 21 April 2018, being the day immediately following the date of retirement of Mr. DENG Wei as independent non-executive Director, and shall hold office until the forthcoming AGM. Ms. CHEN Yingshun, being eligible, will offer herself for re-election at the forthcoming AGM.

BOARD COMMITTEES

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

Board 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	—
Ms. CHEN Yingshun (INED) (appointed with effect from 21 April 2018)	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.

Board Committee	Number of meeting attended/held Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	0/1	—
Mr. SUM Pui Ying (ED)	—	—	1/1	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	—
Ms. CHEN Yingshun (INED) (appointed with effect from 21 April 2018)	1/1	—	—	—

Nomination Committee

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

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in director nomination policy of the Company, which include but not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the board diversity policy of the Company etc.. The Nomination Committee makes recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the articles of association of the Company and the Listing Rules.

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 structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;

(b) reviewing and recommending the re-appointment of the retiring Directors at the annual general meeting of the Company held on 20 April 2018;

(c) assessing independence of the independent non-executive Directors;

(d) reviewing and recommending the appointment of Mr. TANG Runjiang as a non-executive Director; and Ms. CHEN Yingshun as an independent non-executive Director;

(e) reviewing and recommending the renewal of (i) the director's service agreements of Mr. LI Ming, Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex and Mr. LI Hongbo; (ii) the appointment letters of Mr. LAW Tze Lun and Mr. LO Woon Bor, Henry; and

(f) reviewing and recommending (i) director's service agreement of Mr. TANG Runjiang and (ii) the appointment letter of Ms. CHEN Yingshun

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 and is an essential element in maintaining the Company's competitive advantage, under the recommendation of the Nomination Committee, the Board has adopted a board diversity policy in compliance with the Listing Rules. Pursuant to the board diversity policy of the Company, in designing the Board's composition so as to achieve board diversity, a number of elements, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience of the candidates, will be taken into account. Whilst the Company is conscious of maintaining an appropriate proportion of female members on the Board, all Board appointments will ultimately be based on merits in the context of the Company's businesses and strategies, 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 of the Company 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 agreements of Mr. LI Ming, Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex, Mr. LI Hongbo and Mr. TANG Runjiang; and (ii) the appointment letters of Mr. LAW Tze Lun, Mr. LO Woon Bor, Henry and Ms. CHEN Yingshun.

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 financial controller and accounting 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 67 to 72 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 2018. 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. 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 engaged an independent professional adviser to assist the Board and the Audit Committee in formulating its risk management policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management of the Group 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.

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

On 26 January 2018, the Company entered into a second supplemental deed with Grand Beauty Management Limited (our controlling shareholder), 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 (collectively "**CPS Amendments**"). In order to give effect to the CPS Amendments, at the extraordinary general meeting of the Company held on 28 March 2018, the adoption of a new amended articles of association of the Company (the "**New Amended Articles**") was approved by shareholders of the Company and took effect on 25 April 2018 pursuant to section 180(4) of the Companies Ordinance. The principal amendment brought by the New Amended Articles is the adoption of a new Article 5A which reflects and incorporates the revised terms of the CPS following the CPS Amendments.

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 67 to 72 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$4,014,791, of which HK$2,062,791, or approximately 51.4%, 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 2018	HK$1,292,791
Other reporting services in respect of the Group's potential acquisition	HK$770,000

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 of the Company. 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.

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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 73 to 195, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 19 to the consolidated financial statements)

The Group's interest in the joint ventures, Gemini-Rosemont Realty LLC ("Gemini-Rosemont"), is accounted for under the equity method. The Group's share of the loss after tax from Gemini-Rosemont for the year ended 31 December 2018 was HK$2,808,000 and the Group's share of Gemini-Rosemont's net assets was HK$858,618,000 as at 31 December 2018.

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 results and net assets of Gemini-Rosemont arising from the valuation of investment properties held by Gemini-Rosemont in the United States (the "U.S.").

The fair value of investment properties owned by Gemini-Rosemont was estimated by the management of Gemini-Rosemont 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 interviewed with the Group's management and have 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.

Fair value measurement of unlisted fund investments

(Refer to Notes 20(c)(iv) & (v) and 43(h) to the consolidated financial statements)

The Group held several unlisted investments designated on a combination of market observable inputs and valuation techniques. The Group's fair value measurement of the financial assets arising from the unobservable inputs used in determining the fair value of the unlisted investments was grouped under level 3 of fair value hierarchy.

As at 31 December 2018, the Group held several unlisted fund investments which were measured at fair value amounted to HK$1,790,116,000, representing 27.2% of the Group's total assets as at 31 December 2018. These unlisted fund investments had significant unobservable inputs in the valuation, and hence were categorised within level 3 of fair value hierarchy.

The valuation of these unlisted fund investments are conducted by an independent qualified valuer. The appropriateness of the valuation is dependent on determination of different valuation techniques and certain key assumptions. With different valuation techniques and assumptions applied, the valuation result can vary significantly.

As the unlisted fund investments are considered significant due to the size of the balance and the inherent judgement involved in determining the fair value measurement. It is considered as a key audit matter.

The fair value was determined using the market approach. The determination of fair value measurement requires the management to exercise their judgement to ensure the appropriateness of the estimates and assumptions.

Our response:

Our procedures in relation to management's fair value measurement of unlisted fund investments included:

- Evaluating the independent professional valuer's competence, capabilities and objectivity;
- Focusing on the valuation methodologies and assumptions of unlisted fund investments that were classified as level 3 in the fair value hierarchy and involving our valuation specialists in evaluating and assessing:

  (i) the valuation techniques through comparison with the valuation techniques that are commonly used in the market;

  (ii) the validation of observable inputs using external market data; and

  (iii) the reasonableness of management's assumptions such as a discount or a premium for quality of properties held by the funds;

- Checking the accuracy and reasonableness of the input data provided by management to the independent professional valuer; and
- Review sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in these key assumptions.

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.

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

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.

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with 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 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Sales proceeds from disposal of financial instruments held for trading	5	**606,845**	584,805
Revenue	6	**189,815**	55,565
Other income	7	**37,047**	43,065
Employee costs		**(26,479)**	(31,495)
Depreciation	18	**(1,943)**	(489)
Other expenses	8	**(84,124)**	(81,533)
Loss arising from changes in fair value of financial instruments held for trading		**(43,195)**	(1,589)
Loss arising from changes in fair value of financial assets at fair value through profit or loss		**(65,222)**	—
Gain on the bargaining purchase	30	**9,516**	—
Gain arising from changes in fair value of investment properties	17	**62,893**	22,086
Provision for impairment loss on financial assets		**(537)**	(1,703)
Share of results of joint ventures	19	**(2,808)**	12,102
Finance costs	10	**(31,566)**	(88,350)
Profit/(loss) before income tax	11	**43,397**	(72,341)
Income tax	12	**(12,664)**	(14,677)
Profit/(loss) for the year		**30,733**	(87,018)
Profit/(loss) for the year attributable to:			
Owners of the Company		**12,229**	(87,018)
Non-controlling interests		**18,504**	—
		30,733	(87,018)
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company	15		
— basic (HK dollar)		**0.03**	(0.19)
— diluted (HK dollar)		**0.01**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Profit/(loss) for the year	**30,733**	(87,018)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
— Change in fair value of available-for-sale investments	**—**	97,981
— Exchange differences arising on translation of foreign operations	**2,123**	5,732
Other comprehensive income for the year	**2,123**	103,713
Total comprehensive income for the year	**32,856**	16,695
Total comprehensive income attributable to:		
Owners of the Company	**14,352**	16,695
Non-controlling interests	**18,504**	—
	32,856	16,695

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	17	**1,469,245**	721,212
Property, plant and equipment	18	**56,233**	1,696
Interests in joint ventures	19	**858,618**	966,981
Financial assets at fair value through profit or loss	20	**2,199,672**	—
Available-for-sale investments		**—**	2,226,977
Loan receivables	21	**413,940**	415,271
Restricted bank deposits	24	**40,833**	—
Deferred tax assets	33	**315**	—
		5,038,856	4,332,137
Current assets			
Deposits, prepayments and other receivables		**34,645**	11,960
Properties under development	22	**479,538**	442,011
Loan receivables	21	**20,585**	20,543
Financial instruments held for trading	23	**170,884**	267,786
Restricted bank deposits	24	**8,387**	—
Cash and bank balances	25	**816,569**	1,514,828
		1,530,608	2,257,128
Current liabilities			
Other payables and accrued charges		**87,894**	49,081
Financial instruments held for trading	23	**401**	—
Amount due to an intermediate holding company	26	**226,954**	552,675
Taxation payable		**1,507**	410
Borrowings	27	**87**	48,066
		316,843	650,232
Net current assets		**1,213,765**	1,606,896
Total assets less current liabilities		**6,252,621**	5,939,033

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	28	**185,453**	184,881
Reserves	29	**5,343,581**	5,290,790
Equity attributable to owners of the Company		**5,529,034**	5,475,671
Non-controlling interests	38	**276,831**	—
Total equity		**5,805,865**	5,475,671
Non-current Liabilities			
Borrowings	27	**425,533**	448,882
Deferred tax liabilities	33	**21,223**	14,480
		446,756	463,362
Total equity and non-current liabilities		**6,252,621**	5,939,033

The financial statement on pages 73 to 195 were approved and authorised for issue by the Board of Directors on 28 February 2019 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 2018

	Share capital (Note 28)	Convertible preference shares reserve (Note 31)	Perpetual bond (Note 32)	Capital contribution reserve	Capital reduction reserve	Share option reserve	Available-for-sale financial assets reserve	Other 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	HK$'000
Balance at 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
Capital contribution through borrowings from parent	—	—	—	24,924	—	—	—	—	—	—	24,924
Vested share options forfeited	—	—	—	—	—	(523)	—	—	—	523	—
Capital reduction (Note 31)	—	(1,411,529)	—	—	1,411,529	—	—	—	—	—	—
Transfer arising from capital reduction (Note 31)	—	—	—	—	(1,411,529)	—	—	—	—	1,411,529	—
Issue of perpetual bond (Note 32)	—	—	1,599,860	—	—	—	—	—	—	—	1,599,860
Transfer upon issuance of perpetual bond (Note 32)	—	—	659,644	(659,644)	—	—	—	—	—	—	—
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 Changes in Equity

For the year ended 31 December 2018

	Share capital (Note 28)	Convertible preference shares reserve (Note 31)	Perpetual bond (Note 32)	Capital contribution reserve	Capital reduction reserve	Share option reserve	Available-for-sale financial assets reserve	Other reserve	Translation reserve	(Accumulated losses)/ Retained profits	Attributable to owners of the Company	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 31 December 2017 as originally presented	184,881	2,487,169	2,259,504	308,190	–	23,348	73,971	–	17,846	120,762	5,475,671	–	5,475,671
Change in accounting policy (Note 4)	–	–	–	–	–	–	(73,971)	–	–	114,277	40,306	–	40,306
Balance at 1 January 2018	184,881	2,487,169	2,259,504	308,190	–	23,348	–	–	17,846	235,039	5,515,977	–	5,515,977
Other comprehensive income — Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	2,123	–	2,123	–	2,123
Profit for the year	–	–	–	–	–	–	–	–	–	12,229	12,229	18,504	30,733
Total comprehensive income for the year	–	–	–	–	–	–	–	–	2,123	12,229	14,352	18,504	32,856
Acquisition of a subsidiary (Note 30)	–	–	–	–	–	–	–	–	–	–	–	278,567	278,567
Exercise of share option	572	–	–	–	–	(188)	–	–	–	–	384	–	384
Vested share options forfeited	–	–	–	–	–	(824)	–	–	–	824	–	–	–
Distribution paid to non-controlling interests (Note 38)	–	–	–	–	–	–	–	–	–	–	–	(20,240)	(20,240)
Capital reduction (Note 31)	–	(129,957)	–	–	129,957	–	–	–	–	–	–	–	–
Transfer arising from capital reduction (Note 31)	–	–	–	–	(129,957)	–	–	–	–	129,957	–	–	–
Equity extinguish to liability (Note 31)	–	(610,399)	–	–	–	–	–	533,098	–	–	(77,301)	–	(77,301)
Reclassify convertible preference shares from liability to equity (Note 31)	–	608,720	–	–	–	–	–	(533,098)	–	–	75,622	–	75,622
Balance at 31 December 2018	185,453	2,355,533	2,259,504	308,190	–	22,336	–	–	19,969	378,049	5,529,034	276,831	5,805,865

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Cash flows from operating activities		
Profit/(Loss) before income tax	**43,397**	(72,341)
Adjustments for:		
Depreciation	**1,943**	489
Loss on disposal of property, plant and equipment	**—**	246
Loss arising from changes in fair value of financial instruments held for trading	**43,195**	1,589
Loss arising from changes in fair value of financial assets at fair value through profit or loss	**65,222**	—
Gain arising from changes in fair value of investment properties	**(62,893)**	(22,086)
Gain arising from changes in fair value of convertible preference shares	**(1,679)**	—
Gain on the bargaining purchase	**(9,516)**	—
Loss on disposal of subsidiaries	**—**	3,317
Loss on disposal of investment properties	**1,168**	—
Provision for impairment loss for financial assets	**537**	1,703
Written off of property, plant and equipment	**—**	20
Share of results of joint ventures	**2,808**	(12,102)
Finance costs	**31,566**	88,350
Interest income from bank deposits	**(8,732)**	(1,783)
Other interest income	**(25,567)**	(37,607)
Operating profits/(losses) before working capital changes	**81,449**	(50,205)
Increase in debtors, deposits and prepayments	**(1,492)**	(4,626)
Decrease in restricted bank deposits	**20,699**	—
Increase in properties under development	**(36,676)**	(391,988)
Decrease/(increase) in financial instruments held for trading	**54,108**	(98,730)
Decrease in amount due from a fellow subsidiary	**—**	665
Increase in other payables and accrued charges	**482**	16,325
Cash generated from/(used in) operations	**118,570**	(528,559)
Income tax paid	**(53,565)**	(12,764)
Net cash generated from/(used in) operating activities	**65,005**	(541,323)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,057)**	(224)
Proceed from disposal of property, plant and equipment		**—**	145
Consideration paid for purchase of investment properties		**(41,861)**	—
Consideration received for disposal of investment properties		**9,108**	—
Acquisition of subsidiary, net of cash acquired		**(47,095)**	—
Acquisition of financial assets at fair value through profit or loss		**—**	(2,784)
Redemption of financial assets at fair value through profit or loss		**429**	89,977
Capital return from available-for–sale investments		**3,451**	6,092
Distribution paid to non-controlling interest		**(20,420)**	—
Distributions from joint venture		**153,826**	37,080
Loan repayment from a member of joint venture		**—**	2,047
Loan repayment from an investee		**—**	190,000
Loan repayment from a trustee		**—**	22,577
Loan repayment from a joint venture		**—**	6,063
Increase in bank deposit with original maturity over three months		**50,225**	(50,225)
Net cash inflows from disposal of subsidiaries		**—**	13,800
Interest received		**34,299**	38,609
Net cash generated from investing activities		**140,905**	353,157
Cash flows from financing activities			
Repayment of borrowings	36	**(500,000)**	—
Repayment of obligation under finance lease		**(116)**	(78)
Interest paid		**(28,360)**	(23,718)
Exercise of share option		**384**	—
(Decrease)/increase in amount due to an intermediate holding company		**(325,721)**	552,675
Net cash (used in)/generated from financing activities		**(853,813)**	528,879
Net (decrease)/increase in cash and cash equivalents		**(647,903)**	340,713
Cash and cash equivalents at beginning of the year		**1,464,603**	1,121,440
Effect of foreign exchange rate changes		**(131)**	2,450
Cash and cash equivalents at end of the year		**816,569**	1,464,603
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**816,569**	1,514,828
Less: Time deposit with original maturity over three months		**—**	(50,225)
Cash and cash equivalents at end of the year		**816,569**	1,464,603

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 1 (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 41 and 19 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 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share Based Payment Transactions
Amendments to HKAS 40	Transfer to Investment Property
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in associates and joint ventures

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018 *(Continued)*

HKFRS 9 — Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current year.

The impact of adoption of HKFRS 9 has presented in note to the consolidated financial statement, Note 4.

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.

The impact of adoption of HKFRS 15 has presented in note to the consolidated financial statement, Note 4.

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.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018 *(Continued)*

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.

The adoption of the amendment has no impact on the consolidated financial statements of the Group.

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)*

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018 *(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.

Save as disclosed in the changes in accounting policies in Note 4, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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 2015-2017 Cycle	Amendments to: HKFRS 3, Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12, Income Taxes; and HKAS 23 Borrowing Costs[1]
HKFRS 16	Leases[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a business[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 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.
4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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 not 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.

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 16 — Leases (Continued)

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 2018, the Group's total future minimum lease payments under non-cancellable operating lease of HK$5,106,000 as disclosed in Note 34. 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.

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.

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.

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 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 73 to 195 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 of Hong Kong Limited (the "Listing Rules").

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

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 44.

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

(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.

(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.

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

(d) (A) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue for the provision of management and administration services is recognised over time as those services are provided. Invoices for these services income are issued on a monthly basis and are usually payable within 30 days.

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 financial assets at fair value through profit or loss 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.

(B) Revenue recognition (accounting policies applied until 31 December 2017)

Service income is recognised when services are provided.

Rental income 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 are recognised when the shareholder's rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(e) Investment properties

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

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

(e) Investment properties *(Continued)*

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.

(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	$33^1/_3$%
Land and buildings	over lease term
Leasehold improvement	20% to $33^1/_3$%
Motor vehicle	$12^1/_2$%

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

(h) Impairment of tangible assets

The estimated useful lives, residual values and depreciation method of tangible assets 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.

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

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

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

(i) Joint arrangements *(Continued)*

- *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).

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

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

— Financial assets at fair value (either through other comprehensive income or through profit or loss); and

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

— Financial assets at amortised cost.

The classification is generally based on two criteria:

— the business model under which the financial asset is managed; and

— the contractual cash flow characteristics of the financial asset.

Measurement

Investments in financial assets are recognised on the date the Group commits to purchase the investment.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group classifies its debt instruments:

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Measurement (Continued)

Debt instruments *(Continued)*

— Amortised cost

Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

— Fair value through other comprehensive income

Financial assets that are held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at fair value though other comprehensive income. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are recycled to profit or loss.

— Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Changes in fair value and interest income are recognised in profit or loss.

Equity instruments

— Fair value through profit or loss

Equity investments at fair value through profit or loss are subsequently measured at fair value. Changes in fair value, dividend income and interest income are recognised in profit or loss.

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Measurement (Continued)

Equity instruments *(Continued)*

— Fair value through other comprehensive income

For equity investment which is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income, they are subsequently measured at fair value and changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

(ii) Impairment of financial assets

The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost (including trade receivables, other receivables and deposits, amounts due from fellow subsidiaries and cash and bank balances) and measured at fair value through other comprehensive income on a forward looking basis.

Expected credit losses are a probability-weighted estimate of credit losses which are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive) over the expected life of the financial instrument. The maximum period to consider when measuring expected credit losses is the maximum contractual period over which the entity is exposed to credit risk.

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment of financial assets (Continued)

Expected credit losses are measured at the end of each reporting period to reflect changes in the debt instrument's credit risk since initial recognition. Any change in the amount of expected credit losses is recognised as an impairment gain or loss in profit or loss. Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets. For debt instruments at fair value through other comprehensive income, loss allowance is recognised in other comprehensive income and accumulated in fair value reserve (recycling), instead of reducing the carrying amount of the financial assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

For rental receivables, the Group applies a simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses. Expected credit losses on rental receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For other debt financial assets, the Group measures the loss allowance either based on 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of these financial assets has occurred since initial recognition.

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment of financial assets (Continued)

However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group's loan receivables at amortised cost are considered to have low credit risk since there was no recent history of default of the debtor and it has good settlement record with the Group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Financial liabilities

A financial liability is classified as (i) financial liabilities at amortised cost; or (ii) financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

A financial liability may be designated irrevocably as at fair value through profit or loss upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

— the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

If a financial liability forms part of a contract containing one or more embedded derivatives, the entire combined contract is allowed to be designated as at fair value through profit or loss.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals, amounts due to an intermediate holding company and subsidiaries and bank borrowings, are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost using the effective interest method. The related interest expense is accounted for in accordance with the accounting policy as set out in Note 3(n).

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance for expected credit losses determined in accordance with HKFRS 9 Financial Instruments ("HKFRS 9"); and (ii) the amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15").

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses on the financial guarantees are determined to be higher than the carrying amount of the guarantees. To determine expected credit losses, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month expected credit loss is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime expected credit loss is measured. As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an expected credit loss is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

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

(j) (A) Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(B) Financial instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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

(j) (B) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(i) Financial assets (Continued)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

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

(j) (B) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

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.

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

(j) (B) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment loss on financial assets (Continued)

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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accrued charges, borrowings and amounts due to an intermediate holding company and subsidiaries are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) 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) (B) Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(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.

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

(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.

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.

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

(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.

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.

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

(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.

(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.

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

(p) Foreign currencies *(Continued)*

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

Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

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

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

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.

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

(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.

(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. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(a) Impact on the financial statements

As explained in Note 4(b) below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening balance on 1 January 2018.

The following tables show the adjustments of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments of the Group are explained in more detail below.

	At 31 December 2017	HKFRS 9	At 1 January 2018
	HK$'000	HK$'000	HK$'000
Available-for-sale investments	2,226,977	(2,226,977)	—
Financial assets at fair value through profit or loss	—	2,269,045	2,269,045
Loan receivables	415,271	(1,750)	413,521
Total non-current assets	4,332,137	40,318	4,372,455
Deposits, prepayments and other receivables	11,960	(12)	11,948
Total current assets	2,257,128	(12)	2,257,116
Reserves	5,290,790	40,306	5,331,096
Total equity	5,475,671	40,306	5,515,977

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current year.

Classification and measurement

On 1 January 2018 (the date of initial application (the "DIA") of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Notes	Financial assets at fair value through profit or loss HK$'000	Available-for-sale investments HK$'000
Closing balance as at 31 December 2017		—	2,226,977
Reclassification from available-for-sale investments to financial assets at fair value through profit or loss	(i)	2,226,977	(2,226,977)
Re-measurement of financial assets	(ii)	42,068	—
Opening balance as at 1 January 2018		2,269,045	—

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(b) HKFRS 9 Financial Instruments — Impact of adoption *(Continued)*

Classification and measurement (Continued)

	Notes	Effect on available-for-sale financial assets reserve HK$'000	Effect on retained profits HK$'000
Closing balance as at 31 December 2017		73,971	120,762
Reclassification from available-for-sale investments to financial assets at fair value through profit or loss	(i)	(73,971)	73,971
Re-measurement of financial assets	(ii)	—	42,068
Increase in expected credit losses	(c)(ii)	—	(1,762)
		(73,971)	114,277
Opening balance as at 1 January 2018		—	235,039

(i) Reclassification from available-for-sale investments to financial assets at fair value through profit or loss

The financial assets of HK$2,226,977,000 that were previously classified as available-for-sale investments under HKAS 39 have been reclassified as financial assets at fair value through profit or loss under HKFRS 9. Loss arising from changes in fair value of financial assets at fair value through profit or loss amounted to HK$65,222,000 for the year ended 31 December 2018 was recognised through profit or loss instead of other comprehensive income (2017: gain of HK$97,981,000 was recognised through other comprehensive income).

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(b) HKFRS 9 Financial Instruments — Impact of adoption *(Continued)*

Classification and measurement (Continued)

(ii) Re-measurement of financial assets

Certain available-for-sale investments were stated at cost less impairment in prior years and their carrying amounts were HK$1,753,006,000 as at 31 December 2017. Those investments have been re-measured and stated at fair value amounted to HK$1,795,074,000, also were reclassified as financial assets at fair value through profit or loss as at 1 January 2018.

The fair value gains on re-measurement of financial assets at fair value through profit or loss amounted to HK$42,068,000 were credited to retained profits of the Group on 1 January 2018.

The remaining financial assets of HK$473,971,000 previously classified as available-for-sale investments at fair value have been reclassified as financial assets at fair value through profit or loss on 1 January 2018. No gain or loss was recognised in the profit or loss.

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018

(i) Classification and measurement of financial instrument

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(i) Classification and measurement of financial instrument (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(i) Classification and measurement of financial instrument (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(i) Classification and measurement of financial instrument (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39	Carrying amount as at 1 January 2018 under HKFRS 9
			HK$'000	HK$'000
Listed equity securities	Held-for-trading	FVTPL	267,786	267,786
Unlisted equity investments	Available-for-sale investments (at cost less impairment)	FVTPL	7,416	7,525
Club debentures	Available-for-sale investments (at cost less impairment)	FVTPL	6,453	6,215
Unlisted fund investments	Available-for-sale investments (at cost less impairment)	FVTPL	1,739,137	1,781,334
Unlisted fund investments	Available-for-sale investments (at fair value through other comprehensive income)	FVTPL	473,971	473,971
Loan receivables	Loans and receivables	Amortised cost	435,814	434,064
Other receivables	Loans and receivables	Amortised cost	2,300	2,288
Cash and bank balances	Loans and receivables	Amortised cost	1,514,828	1,514,828

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for rental receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For loan receivables, the ECLs are determined based on the 12 months ECLs. The 12 months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's loan receivables at amortised cost are considered to have low credit risk since there was no recent history of default of the debtor and it has good settlement record with the Group.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of rental receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for rental receivables. To measure the ECLs, rental receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances as at 1 January 2018 was determined for rental receivables as follows:

On 1 January 2018	**Current (not past due)**	**Total**
Expected credit loss rate (%)	0.5%	
Gross carrying amount of rental receivables (HK$'000)	2,300	2,300
Loss allowances (HK$'000)	12	12

The increase in loss allowances for rental receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$12,000. The loss allowances further increased by HK$104,000 for rental receivables during the year ended 31 December 2018.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

(b) Impairment of loan receivables

All of the loan receivables of the Group at amortised cost are considered to have low credit risk, and the loss allowances recognised during the period was therefore limited to 12 months ECLs.

The increase in loss allowances for loan receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$1,750,000. The loss allowances further increased by HK$433,000 for loan receivables during the year ended 31 December 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

(c) HKFRS 9 Financial Instrument — Accounting policy applied from 1 January 2018 *(Continued)*

(iv) Transition (Continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the DIA of HKFRS 9:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition as the Group's dividend income, interest income and rental income are not within the scope of HKFRS 15. Details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the management services provided by a joint venture of the Group are set out below:

Revenue for the provision of management and administration services is recognised over time as those services are provided. Invoices for these services income are issued on a monthly basis and are usually payable within 30 days. HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. No contract asset is recognised by the Group upon transition and at the end of the reporting period.

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

The sales proceeds of the financial instruments held for trading by the Group (Note 23) disposed of during the years ended 31 December 2018 and 2017 amounted to approximately HK$606,845,000 and HK$584,805,000 respectively.

The changes in fair value of financial instruments held for trading by the Group throughout the years of 2018 and 2017, 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 arising from changes in fair value of financial instruments held for trading" in the consolidated income statement.

6. 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:

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

b. 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.

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

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

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

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2018

	Investment in fund platform	Property investment and development	Fund investments	Securities and other investments	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	56,392	36,739	84,711	618,818	–	796,660
Less: Sales proceeds from disposal of financial instruments held for trading	–	–	–	(606,845)	–	(606,845)
Less: Inter-segment sales	–	–	–	4,011	(4,011)	–
Revenue as presented in consolidated income statement	56,392	36,739	84,711	15,984	(4,011)	189,815
Segment results	72,410	62,710	18,606	(30,524)		123,202
Interest income from bank deposits						8,732
Finance costs						(31,566)
Unallocated corporate expenses						(56,971)
Profit before income tax						43,397

6. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2017

	Investment in fund platform	Property investment and development	Fund investments	Securities and other investments	Elimination	Consolidated
	HK$'000	HK$'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)
Less: Inter-segment sales	—	—	—	4,538	(4,538)	—
Revenue as presented in consolidated income statement	—	36,556	—	23,547	(4,538)	55,565
Segment results	19,728	37,260	117	12,858		69,963
Interest income from bank deposits						1,783
Finance costs						(88,350)
Unallocated corporate expenses						(55,737)
Loss before income tax						(72,341)

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.

6. SEGMENT INFORMATION *(Continued)*

(a) Segment assets and liabilities

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

	2018	2017
	HK$'000	HK$'000
Assets		
Segment assets		
— Investment in fund platform	2,158,932	1,497,847
— Property investment and development	1,294,278	1,640,679
— Fund investments	2,194,105	2,221,694
— Securities and other investments	811,842	599,827
Unallocated assets	110,307	629,218
Consolidated total assets	6,569,464	6,589,265
Liabilities		
Segment liabilities		
— Investment in fund platform	487,791	25,965
— Property investment and development	13,185	11,897
— Fund investments	158	48
— Securities and other investments	498	122
Unallocated liabilities	261,967	1,075,562
Consolidated total liabilities	763,599	1,113,594

Segment assets include all assets are allocated to operating segments other than property, plant and equipment, unallocated deposits, prepayments and other receivables, certain short-term bank deposits, and bank balances and cash which are not allocated to a segment.

Segment liabilities included all liabilities are allocated to operating segments other than taxation 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.

6. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2018

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	858,618	–	–	–	858,618
Gain arising from changes in fair value of investment properties	10,955	51,938	–	–	62,893
Loss arising from changes in fair value of financial instruments held for trading	–	–	–	(43,195)	(43,195)
Gain/(loss) arising from changes in fair value of financial assets at fair value through profit or loss	246	–	(65,600)	132	(65,222)
Provision of allowance for rental and loan receivables	(540)	3	–	–	(537)
Share of results of joint ventures	(2,808)	–	–	–	(2,808)

6. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2017

Other segment information

	Investment in fund platform HK$'000	Property investment and development HK$'000	Fund investments HK$'000	Securities and other investments HK$'000	Total 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

6. 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 by geographical location of the assets regarding its operations are detailed below:

	Revenue from external customers		Non-current assets other than financial instruments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**10,375**	9,655	**445,118**	360,549
The U.S.	**85,365**	29,445	**1,939,292**	1,329,338
Australia	**9,277**	16,390	**—**	—
The PRC	**—**	10	**1**	2
Others	**84,798**	65	**—**	—
	189,815	55,565	**2,384,411**	1,689,889

(c) Information about major customers

For the year ended 31 December 2018, there were a revenue received from a tenant and two investees generated from the Group's investment in fund platform and fund investments segment respectively, each of whom contributed approximately 30%, 25% and 11% respectively of the Group's total revenue. Revenue derived from the tenant and the investees during the year amounted to approximately HK$56,392,000, HK$47,020,000 and HK$21,137,000 respectively.

For the year ended 31 December 2017, there were a revenue received from an investee and a tenant generated from the Group's securities and other investments segment and property investment and development segment respectively, 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.

7. OTHER INCOME

	2018	2017
	HK$'000	HK$'000
Bank interest income	8,732	1,783
Other interest income	25,567	37,607
Gain arising from change in fair value of convertible preference shares	1,679	—
Others	1,069	3,675
	37,047	43,065

8. OTHER EXPENSES

	2018	2017
	HK$'000	HK$'000
Direct operating expenses in respect of investment properties	35,347	28,175
Auditor's remuneration	4,202	4,329
Rental payments in respect of properties under operating leases	5,920	5,788
General administrative and office expenses	17,974	14,131
Disposal of subsidiaries	—	3,317
Others	20,681	25,793
	84,124	81,533

9. 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.

9. SHARE-BASED COMPENSATION *(Continued)*

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.

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 proposed to grant 5,000,000 share options under the Scheme to executive and non-executive directors and certain other employees of the Group. These share options were vested on the same date and their fair value was HK$3,002,000.

No share-based compensation was recognised by the Group and the Company for the year ended 31 December 2017 and 31 December 2018.

At 31 December 2018, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 34,510,000 (2017: 36,510,000), representing 7.65% (2017: 8.10%) of the shares of the Company in issue at that date.

9. SHARE-BASED COMPENSATION *(Continued)*

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.

Movement in share options are as follows:

	2018		2017	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		HK$		HK$
Outstanding at 1 January	**36,510,000**	**1.03**	37,410,000	1.04
Exercised	**(400,000)**	**0.96**	—	—
Forfeited	**(1,600,000)**	**—**	(900,000)	—
Outstanding at 31 December	**34,510,000**	**1.02**	36,510,000	1.03
Exercisable at 31 December	**34,510,000**	**1.02**	36,510,000	1.03

The weighted average remaining contractual life of the share options outstanding at 31 December 2018 was approximately 2.47 years (2017: 3.47 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.

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank and other borrowings	27,726	28,819
Imputed interest expense on other borrowings	—	57,140
Amortisation of arrangement fee	3,333	2,000
Others	507	391
	31,566	88,350

11. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging and (crediting):

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
— current year	3,492	4,043
— underprovision in the prior year	710	286
	4,202	4,329
Gross rental income from investment properties	(93,131)	(36,556)
Direct operating expenses arising from investment properties that generate rental income	35,137	14,306
Direct operating expenses arising from investment properties that did not generate rental income	210	13,869
	(57,784)	(8,381)
Dividend income from financial instruments held for trading	(2,696)	(2,619)
Interest income from investments	(2,673)	(602)
Net foreign exchange gain	(4,578)	(6,186)
Rental payments in respect of properties under operating leases	5,920	5,788
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	1,081	871
Loss on disposal of subsidiaries	—	3,317
Written off of property, plant and equipment	—	20
Loss on disposal of property, plant and equipment	—	246

12. INCOME TAX

	2018	2017
	HK$'000	HK$'000
The taxation attributable to the Group's operation comprises:		
Current tax — Hong Kong Profits Tax		
Provision for the year	**271**	321
(Over)/under-provision in respect of prior years	**(84)**	280
	187	601
Current tax — PRC Enterprise Income Tax		
Provision for the year	**—**	11
Current tax — Overseas tax		
Provision for the year	**6,083**	6,342
Deferred tax (Note 33)	**6,394**	7,723
Income tax	**12,664**	14,677

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

For the year ended 31 December 2018, all of the Group's PRC subsidiaries were subject to PRC Enterprise Income Tax rate of 25% (2017: 25%). No PRC Enterprise Income Tax was provided for the year ended 31 December 2018 as there were no assessable income for the year.

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

12. INCOME TAX *(Continued)*

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

	2018	2017
	HK$'000	HK$'000
Profit/(loss) before income tax	**43,397**	(72,341)
Tax calculated at the income tax rate applicable to losses in the respective jurisdictions	**9,794**	(6,831)
Tax effect of expenses not deductible for tax purpose	**14,445**	23,213
Tax effect of income not taxable for tax purpose	**(32,876)**	(18,197)
Tax effect of share of results of joint ventures	**5,159**	2,936
Tax effect of unrecognised tax loss	**11,871**	6,909
Tax effect on temporary difference not recognised	**(1,551)**	(1,339)
Others	**(1,332)**	509
(Over)/Under-provision in respect in prior years	**(84)**	280
Withholding tax	**7,238**	7,197
Income tax expense	**12,664**	14,677

13. 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	Tang Runjiang△	Chen Yingshun*	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	HK$'000
2018											
Fees	–	180	180	180	180	180	150	125	30	55	1,260
Other emoluments											
– Salaries and other benefits	30	30	1,486	30	30	30	24	20	5	9	1,694
– Contributions to retirement benefits schemes	–	–	145	–	–	–	–	–	–	–	145
Total emoluments	30	210	1,811	210	210	210	174	145	35	64	3,099
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

△ appointed as a non-executive director on 1 March 2018
* appointed as an independent non-executive director on 21 April 2018
\# resigned as an executive director on 1 March 2018
^ retired as an independent non-executive director on 20 April 2018

Notes:

a) No directors waived any emoluments for each of the years ended 31 December 2017 and 2018.

b) 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 2017 and 2018.

14. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals for the year include one (2017: one) director whose emolument is reflected in Note 13 above. The emoluments of the remaining four (2017: four) highest paid individuals are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and other benefits	**3,594**	3,323
Contributions to retirement benefits schemes	**347**	319
	3,941	3,642

Their emoluments were within the following band:

	2018	2017
	No. of employees	No. of employees
Nil to HK$1,000,000	**4**	4

The emoluments paid or payable to members of senior management personnel were within the following band:

	2018	2017
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**6**	3

15. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The calculation of the basic earnings/(losses) per share attributable to owners of the Company is based on the earnings/(losses) for the year attributable to owners of the Company of HK$12,229,000 (2017: loss of HK$87,018,000) and the weighted average number of ordinary shares of 451,237,000 (2017: 450,990,000) in issue during the year.

15. EARNINGS/(LOSSES) PER SHARE *(Continued)*

(b) Diluted earnings per share

The calculation of the diluted earnings per share amounts is based on the profit attributable to owners of the Company, adjusted to reflect the gain arising from change in fair value of convertible preference shares, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2018 **HK$'000**
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**12,229**
Less: Gain arising from change in fair value of convertible preference shares	**(1,679)**
Profit attributable to owners of the Company, adjusted	**10,550**

	2018 **Number of shares**
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**451,237,000**
Effect of dilution — weighted average number of ordinary shares:	
Share options	**2,662,000**
Convertible preference shares	**289,208,000**
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**743,107,000**

No adjustment has been made to basic losses per share amount presented for the year ended 31 December 2017 in respect of a dilution as the share options and convertible preference shares outstanding, had an anti-dilutive impact on the basic losses per share amount presented.

16. DIVIDENDS

No dividend was paid or proposed in respect of the convertible preference shares and ordinary shares during the years ended 31 December 2017 and 2018, nor has any dividend been proposed since the end of the reporting period.

17. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2018	2017
	HK$'000	HK$'000
Properties in Hong Kong	**388,930**	358,900
Properties in U.S.	**1,080,315**	362,312
	1,469,245	721,212

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 and residential properties which located in Hong Kong and the U.S. as at 31 December 2018 and 2017 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$62,893,000 (2017: HK$22,086,000) which has been recognised in profit or loss. 91% (2017: 84%) of the investment properties of the Group were rented out under operating leases as at 31 December 2018. As at 31 December 2018, investment properties in the U.S. of HK$719,061,000 were pledged as collateral for borrowing of HK$425,327,000 (2017: Nil) as disclosed in Note 27.

17. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(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.

	2018	2017
	HK$'000	HK$'000
At the beginning of the year	**721,212**	713,052
Additions	**749,113**	—
Transfer to owner-occupied property (Note 18)	**(55,318)**	—
Exchange realignment	**1,621**	2,874
Disposals	**(10,276)**	—
Disposal of subsidiaries	**—**	(16,800)
Gains on revaluation of investment properties	**62,893**	22,086
At the end of the year	**1,469,245**	721,212

During the year, the Group transferred one of its commercial unit in Lippo Centre as owner-occupied office of the Company.

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 U.S. 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

17. 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 2018

Properties and location	Fair value as at 31 December 2018 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	355,900	Income capitalisation approach	Estimated rental value	HK$55 — HK$63 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.5% — 3.0%	The higher the discount rate, the lower the fair value
Residential properties situated in Hong Kong	33,030	Income capitalisation approach	Estimated rental value	HK$19 — HK$23 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.3%	The higher the discount rate, the lower the fair value
Residential properties situated in the U.S.	194,413	Direct comparison	Premium or discount for quality of properties (e.g. view, level and condition of the residential properties)	-6.6% — 4.8%	The higher the quality of properties with reference to comparables, the higher the fair value
Office building situated in the U.S.	885,902	Direct comparison	Premium or discount for quality of properties (e.g. location, size and condition of the office building)	-20% — 16%	The higher the quality of properties with reference to comparables, the higher the fair value

17. INVESTMENT PROPERTIES *(Continued)*

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 U.S.	210,665	Direct comparison	Premium or discount for 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 U.S.	151,647	Direct comparison	Premium or discount for 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

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.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2017	—	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
Exchange realignment	—	—	(13)	(5)	—	(18)
Transfer from investment properties (Note 17)	55,318	—	—	—	—	55,318
Additions	—	526	342	293	—	1,161
At 31 December 2018	55,318	4,261	2,563	1,129	—	63,271
DEPRECIATION						
At 1 January 2017	—	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
Exchange realignment	—	—	(13)	(6)	—	(19)
Charged for the year	1,349	314	171	109	—	1,943
At 31 December 2018	1,349	2,759	2,062	868	—	7,038
NET BOOK VALUE						
At 31 December 2018	53,969	1,502	501	261	—	56,233
At 31 December 2017	—	1,290	330	76	—	1,696

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$300,000 (2017: HK$281,000).

19. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Share of net assets other than goodwill	822,996	931,431
Goodwill	35,622	35,550
At the end of the year	858,618	966,981

	2018 HK$'000	2017 HK$'000
At the beginning of the year	966,981	985,149
Distributions	(153,826)	(37,080)
Share of post-acquisition (losses)/profits, net of tax and other comprehensive income	(2,808)	12,102
Income tax paid	48,391	6,405
Exchange difference	(120)	405
At the end of the year	858,618	966,981

As at 31 December 2018 and 2017, 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 2018	Percentage of ownership interests/ voting rights 2017	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

19. 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 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").

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 45% and 30% of class A membership interests of Gemini-Rosemont respectively. 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.

19. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

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 2018 and 2017.

On 31 March 2017, the Property Fund further acquired 18.423% of Class B membership interest of Gemini-Rosemont from Gemini-Rosemont JV Member LLC. As a result, the Property Fund held 30% and 18.423% of Class A and Class B membership interests respectively in Gemini-Rosemont as at 31 December 2017 and 2018.

For the year ended 31 December 2018, the Group shared the profit of Gemini-Rosemont, net of tax amounted to US$9,066,000 (equivalent to approximately HK$70,943,000 (2017: loss of US$973,000 (equivalent to approximately HK$7,578,000)), and losses of Denver GPM LLC and Portfolio II LP amounted to US$3,304,000 and US$6,121,000 respectively (equivalent to approximately HK$25,853,000 and HK$47,898,000 respectively (2017: profits of US$824,000 and US$1,703,000 respectively (equivalent to approximately HK$6,419,000 and HK$13,261,000 respectively)).

For the year ended 31 December 2018, the Group received distribution from Portfolio II LP amounted to US$19,598,000 (equivalent to approximately HK$153,826,000). For the year ended 31 December 2017, the Group received 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).

For the year ended 31 December 2018, the Group received income tax refund of US$5,500 (equivalent to approximately HK$38,000) (2017: paid income tax of US$270,000 (equivalent to HK$2,100,000)) and paid income tax of US$6,181,000 (equivalent to approximately HK$48,429,000) (2017: paid income tax of US$553,000 (equivalent to approximately HK$4,305,000)) in respect of its direct tax obligation in Gemini-Rosemont and Portfolio II LP respectively.

19. INTERESTS IN JOINT VENTURES *(Continued)*

Gemini-Rosemont Realty LLC	**2018**	2017
	HK$'000	HK$'000
As at 31 December		
Current assets	**1,749,873**	1,467,329
Non-current assets	**9,166,204**	13,220,406
Current liabilities	**(1,253,540)**	(3,645,554)
Non-current liabilities	**(8,616,687)**	(9,708,631)
Net assets	**1,045,850**	1,333,550
Included in the above amounts are:		
Cash and cash equivalents	**1,289,023**	536,206
Non-current financial liabilities (excluding limited partner interest)	**(7,847,754)**	(8,139,308)
Current financial liabilities (excluding trade and other payables)	**(841,302)**	(2,955,128)
Year ended 31 December		
Revenue	**1,337,485**	1,516,450
Profit/(loss) for the year	**147,045**	(109,930)
Other comprehensive income	**(22,364)**	—
Total comprehensive income	**124,681**	(109,930)
Included in the above amounts are:		
Depreciation and amortisation	**(1,549)**	(1,510)
Interest income	**6,252**	3,683
Interest expense	**(551,655)**	(601,256)
Income tax expense	**(1,322)**	(2,912)

Reconciled to the Group's interest in joint venture	**2018**	2017
	HK$'000	HK$'000
Gross amounts of Gemini-Rosemont Realty LLC's net assets	**1,045,850**	1,333,550
Group's share of Gemini-Rosemont Realty LLC's net assets	**822,996**	931,431
Goodwill	**35,622**	35,550
Carrying amount in the consolidated financial statements	**858,618**	966,981

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	HK$'000
Unlisted equity investments (Note (a))	2,211	—
Club debentures (Note (b))	5,700	—
Unlisted fund investments (Note (c))	2,191,761	—
	2,199,672	—

These investments were reclassified from available-for-sale investments of HK$2,226,977,000 at 1 January 2018 after the adoption of HKFRS 9 as detailed in Note 4. The fair value of these investments as at 1 January 2018 and 31 December 2018 were estimated by BMI Appraisals, details of the fair value measurement are set out in Note 43(h) to the consolidated financial statements.

Notes:

(a) (i) At the end of reporting period, the fair value of the Group's investment in unlisted equity securities issued by private entities incorporated outside Hong Kong was approximately US$270,000 and RMB85,000 (equivalent to approximately HK$2,211,000) (2017: the investment was classified as available-for-sale investments at cost less impairment of approximately US$962,000 (equivalent to HK$7,413,000)).

(ii) During the year, the Group has redeemed 199 ordinary units of A' Beckett Street Trust (the "Trust") and 199 trustee's ordinary shares in the capital of P'0006 A' Beckett Pty Ltd. (the "Trustee"). At the end of reporting period, no ordinary units of the trust or trustee's ordinary shares in the Trustee was held by the Group (2017: 199 ordinary units of the Trust and 199 trustee's ordinary shares in the capital of the Trustee were held by the Group and classified as available-for-sale investments at cost less impairment of A$398 (equivalent to approximately HK$3,000)). The Trust has completed the development of a residential complex on the parcel of land in Melbourne, Australia.

As at 31 December 2018, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted equity investments) as mentioned above was categorised within level 3 of the fair value hierarchy.

(b) At the end of the reporting period, the fair value of the club debentures held by the Group was approximately of HK$5,700,000 (2017: the club debentures were classified as available-for-sale investments at cost less impairment amounting to approximately HK$6,453,000).

As at 31 December 2018, the fair value measurement of the financial assets at fair value through profit or loss (i.e. club debentures) as mentioned above was categorised within level 3 of the fair value hierarchy.

(c) (i) At the end of the reporting period, the Group held approximately 341,000 (2017: 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 held by the Group as at 31 December 2018 was approximately HK$126,359,000 (2017: the Participating Shares were classified as available-for-sale investments at fair value of approximately HK$126,212,000).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(c) (ii) At the end of the reporting period, the Group held approximately 141,000 (2017: 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 held by the Group as at 31 December 2018 was approximately HK$146,907,000 (2017: the participating redeemable preference shares in Sub-Fund A were classified as available-for-sale investments at fair value of approximately HK$200,943,000).

(iii) At the end of the reporting period, the Group also held approximately 110,000 (2017: 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 held by the Group as at 31 December 2018 is approximately HK$128,379,000 (2017: the participating redeemable preference shares in Sub-Fund B were classified as available-for-sale investments at fair value of approximately HK$146,816,000).

As at 31 December 2018, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted fund investments) as mentioned in Notes (c)(i) to (c)(iii) above was categorised within level 2 of the fair value hierarchy.

(iv) At the end of the reporting period, the Group held approximately 1,012,000 (2017: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund, which incorporated in Cayman Islands and 637,000 (2017: 637,000) non-redeemable, non-voting participating shares of an investment entity incorporated in the Cayman Islands (the "Private Equity Fund"). The fair value of the investments in the Property Fund and the Private Equity Fund as at 31 December 2018 are approximately HK$799,680,000 (2017: the non-redeemable, non-voting participating shares of the Property Fund were classified as available-for-sale investments at cost less impairment amounting to approximately HK$775,818,000) and approximately HK$541,892,000 (2017: the non-redeemable, non-voting participating share in Private Equity Fund were classified as available-for-sale investments at cost less impairment of 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.

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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: *(Continued)*

(c) (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 2018, the fair value of the investments in the PRB Fund is approximately HK$448,544,000 (2017: the investment in PRB Fund was classified as available-for-sale investment at cost less impairment of approximately HK$462,813,000).

The investment objective of the PRB Fund is to invest in debt instruments of special purpose vehicles which in turn hold shares in PRC companies established for the purpose of developing real estates in the PRC with an expected return of not less than 6% per annum on the debt instruments.

At the end of the reporting period, the Group has no outstanding commitments to make capital contribution (2017: approximately US$285,000 (equivalent to approximately HK$2,225,000)).

As at 31 December 2018, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted fund investments) as mentioned in Notes (c)(iv)&(v) above was categorised within level 3 of the fair value hierarchy.

21. LOAN RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Current:		
Loans to a joint venture (Note (a))	**20,585**	20,543
Non-current:		
Loans to a joint venture (Note (b))	**413,940**	415,271
	434,525	435,814

Notes:

(a) As at 31 December 2018, loan receivables of US$2,628,000 equivalent to approximately HK$20,585,000 (2017: US$2,628,000 (equivalent to approximately HK$20,543,000)) in aggregate are due from the joint venture. These loans receivables are unsecured, interest-bearing at 5% per annum and repayable on demand, therefore are classified under current assets at the end of reporting period.

21. LOAN RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) In addition, loan receivables of US$53,125,000 (equivalent to approximately HK$413,940,000) (2017: US$53,125,000 (equivalent to approximately HK$415,271,000)) in aggregate are due from the joint venture as at 31 December 2018. Among the loan receivables of US$53,125,000, a working capital facility of US$10,000,000 was granted by the Group to Gemini-Rosemont on 31 December 2014 as described in Note 19(b). The 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.

As at 1 January 2018, loss allowance on the loan receivables of HK$1,750,000 was provided upon transition to HKFRS 9 Financial Instrument and further increased by HK$433,000 during the year ended 31 December 2018 as detailed in Note 4(c)(ii).

22. PROPERTIES UNDER DEVELOPMENT

	2018	2017
	HK$'000	HK$'000
Carrying amount at 1 January	**442,011**	—
Additions	**36,676**	442,011
Exchange realignments	**851**	—
Carrying amount at 31 December	**479,538**	442,011
Properties under development comprised:		
Land use rights	**414,294**	414,294
Construction costs and capitalised expenditures	**64,393**	27,717
Exchange realignments	**851**	—
Carrying amount at 31 December	**479,538**	442,011

Properties under development are all located in the U.S.

All properties under development are expected to be completed within the normal operating cycle of the Group and classified as current assets. The amount of properties under development expected to be completed and available for sale more than twelve months after the end of the reporting period is HK$479,538,000 (2017: HK$442,011,000).

23. FINANCIAL INSTRUMENTS HELD FOR TRADING

	2018 HK$'000	2017 HK$'000
Current assets		
Listed securities:		
— Equity securities listed in Hong Kong	**3,070**	45,725
— Equity securities listed in the U.S., Europe, Japan and PRC	**167,814**	222,061
	170,884	267,786
Current liabilities		
Derivatives:		
— Forward exchange contracts and futures contracts	**401**	—

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 U.S., 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 high volatility of global capital market including various uncertainties of different political and economic circumstances.

24. RESTRICTED BANK DEPOSITS

As at 31 December 2018, restricted bank deposits represented escrow and reserves amounted to HK$33,165,000 and pledged bank deposits amounted to HK$16,055,000. Certain pledged bank deposits amounted to HK$8,387,000 were classified as current assets as at 31 December 2018. The remaining balance of pledged bank deposits of HK$7,668,000 and escrow and reserves of HK$33,165,000 were classified as non-current assets as at 31 December 2018.

Escrow and reserves represented mandatory deposits to cover certain obligations as set forth in the tenancy agreement. These cash balances will be used primarily to pay capital repairs and maintenance as needed. Pledged bank deposits have been used to secure the borrowing as disclosed in Note 27(b).

25. CASH AND BANK BALANCES

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

	2018	2017
	HK$'000	HK$'000
Bank and cash balances	816,569	1,464,603
Time deposit with original maturity over three months	—	50,225
Total cash and bank balances	816,569	1,514,828

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 at 3.5% per annum.

As at 31 December 2018, the Group had bank balances denominated in RMB amounted to approximately HK$36,059,000 (2017: HK$11,171,000), 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.

26. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due is unsecured, interest-free and repayable on demand.

27. BORROWINGS

The maturity profile of the borrowings is as follows:

	2018	2017
	HK$'000	HK$'000
Current:		
Obligation under finance lease	87	66
Bank loans		
— unsecured and repayable within 1 year (Note (a))	—	48,000
	87	48,066
Non-current:		
Obligation under finance lease	206	215
Bank loans		
— unsecured and repayable after 1 year but within 2 years (Note (a))	—	448,667
— secured and repayable after 5 years (Note (b))	425,327	—
	425,533	448,882
	425,620	496,948

Notes:

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

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. This bank borrowing is unsecured and bearing interest at floating rate. The average interest rate as at 31 December 2017 is 2.08% per annum. Such borrowing was fully repaid on 30 November 2018.

b) As at 31 December 2018, a bank borrowing amounted to US$54,300,000 (equivalent to approximately HK$425,327,000) will be wholly repayable on 1 January 2028 and interest bearing at fixed rate of 3.72% per annum. The borrowing is secured by the Group's investment properties in the U.S. at fair value of HK$719,061,000 (Note 17) and restricted bank deposits amounted to HK$16,055,000 (Note 24). A corporate guarantee was also provided by Gemini-Rosemont for the bank borrowing as at 31 December 2018.

28. SHARE CAPITAL

	2018		2017	
	Number	**HK$'000**	Number	HK$'000
Ordinary shares				
At beginning of the year	**450,990,000**	**184,881**	450,990,000	184,881
Share option exercised	**400,000**	**572**	—	—
	451,390,000	**185,453**	450,990,000	184,881

During the year, the Company allotted and issued 400,000 ordinary shares of HK$0.96 each under the share option scheme.

29. RESERVES

The Group

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

29. RESERVES *(Continued)*

The Company

	Convertible preference shares reserves	Perpetual bond	Other reserves	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$'000	HK$'000
At 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	–	–	–	24,924	–	–	–	24,924
Capital reduction (Note 31)	(1,411,529)	–	–	–	1,411,529	–	–	–
Transfer arising from capital reduction (Note 31)	–	–	–	–	(1,411,529)	–	1,411,529	–
Issue of perpetual bond (Note 32)	–	1,599,860	–	–	–	–	–	1,599,860
Transfer upon issuance of perpetual bond (Note 32)	–	659,644	–	(659,644)	–	–	–	–
Profit for the year	–	–	–	–	–	–	17,692	17,692
At 31 December 2017 and 1 January 2018	2,487,169	2,259,504	–	308,190	–	23,348	201,585	5,279,796
Exercise of share option	–	–	–	–	–	(188)	–	(188)
Vested share option forfeited	–	–	–	–	–	(824)	824	–
Capital reduction (Note 31)	(129,957)	–	–	–	129,957	–	–	–
Transfer arising from capital reduction (Note 31)	–	–	–	–	(129,957)	–	129,957	–
Equity extinguish to liability (Note 31)	(610,399)	–	533,098	–	–	–	–	(77,301)
Reclassify convertible preference shares from liability to equity (Note 31)	608,720	–	(533,098)	–	–	–	–	75,622
Profit for the year	–	–	–	–	–	–	207,245	207,245
At 31 December 2018	2,355,533	2,259,504	–	308,190	–	22,336	539,611	5,485,174

30. BUSINESS ACQUISITION DURING THE YEAR

On 26 February 2018, the Group acquired (a) 100% equity interest in 600 Clipper GP Partner A LLC which, through its interest as general partner in 600 Clipper GP Partnership LP, indirectly holds and controls the entire general partnership interest and 0.5% limited partnership interest in 600 Clipper Investment Partnership LP and (b) 19.5% limited partnership interest in 600 Clipper Investment Partnership LP, which are engaged in investment in fund platform.

The principal business activity of the Group is principally engaged in investments in fund platforms, property investment and development, fund investment and securities and other investment businesses. The directors are of the view that the acquisition serves to develop the Group's fund platform investment which is in line with the Group's core business strategy. Along with this business strategy, the Group will enrich and extend its strategic business connection with the stakeholders such as tenants, investors, financiers and sellers.

The fair value of identifiable assets and liabilities of 600 Clipper GP Partner A LLC and 600 Clipper Investment Partnership LP as at the date of acquisition were:

		Equivalent to approximately
	US$'000	HK$'000
Investment property	90,400	707,252
Pledged bank deposits	4,750	37,162
Prepayments and other receivables	1,041	8,144
Amount due from related companies	1,692	13,237
Escrow and reserves	4,187	32,757
Cash and bank balances	1,365	10,679
Other payables and accruals	(4,928)	(38,554)
Bank borrowing	(54,300)	(424,820)
Total identifiable net assets at fair value	44,207	345,857
Non-controlling interests	(35,606)	(278,567)
Gain on the bargaining purchase recognised in profit or loss	(1,216)	(9,516)
Acquisition and assignment considerations	7,385	57,774

For the details of consideration, refer to the circular of the Company dated 29 March 2018.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. The Group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

30. BUSINESS ACQUISITION DURING THE YEAR *(Continued)*

The fair value of prepayments and other receivables and amount due from related companies is approximate to their gross contractual amount. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The gain on the bargaining purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.

The acquisition-related costs of HK$4,969,000 have been expensed and are included in "Other expenses".

The cash used in acquisition of subsidiary, net of cash acquired amounted to HK$47,095,000 is disclosed in the consolidated statement of cash flows in the consolidated financial statements.

The acquired business contributed revenue of HK$56,392,000 and net profit of HK$18,717,000 to the Group for the period from 26 February to 31 December 2018. If the acquisition had occurred on 1 January 2018, the consolidated pro-forma revenue and profit for the year ended 31 December 2018 would have been HK$194,567,000 and HK$33,962,000 respectively.

31. 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.

31. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

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 (i.e. settled by the exchange of fixed amount of equity), the CPSs are classified as equity instruments accordingly.

Amendments

On 26 January 2018, the Company entered into the second supplemental deed (the "Second Supplemental Deed") with Grand Beauty, pursuant to which the parties conditionally agreed to amend certain terms of the CPSs ("Admendments"), which include: (i) acceleration of the commencement of the conversion period such that it will commence from 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, nevertheless the Discretionary Non-payment Restriction is remained effective after the Amendments. 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 (the "Adjustments to the revised conversion price").

Details of the proposed amendments to the terms of the CPSs were set out in the Company's announcement and circular dated 28 January 2018.

On 25 April 2018 (the "Effective Date"), the conditions precedent in the Second Supplemental Deed are fulfilled and the Amendments are effective on that date.

31. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

The Amendments were accounted for as extinguishment of the Adjusted CPSs as the conversion options of the Adjusted CPSs do not meet the fixed-for-fixed criteria, that is, it will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's ordinary shares by considering the adjustments to conversion price. Accordingly, the Adjusted CPSs should be accounted for as liability component and are measured at fair value at initial recognition. Subsequently, it is classified as a financial liability at fair value through profit or loss. The difference between the fair value of the Adjusted CPSs of HK$77,301,000 and its carrying amount of HK$610,399,000 at the Effective Date was recognised as "Other reserves" included in "Reserves" and as presented in consolidated statement of changes in equity.

The Adjustments to the revised conversion price expired on 1 July 2018 (the "Expiry of Adjustments"). After the Expiry of Adjustments, the conversion price of the Adjusted CPSs was fixed at HK$6. Accordingly, the conversion option of the Adjusted CPSs involves only a conversion of a fixed number of the Company's ordinary shares (i.e. settled by the exchange of fixed amount of equity), the Adjusted CPSs were reclassified as equity instruments at 1 July 2018. The "Other reserves" was also reclassified as convertible preference shares reserve after the Expiry of Adjustments.

The movements of CPSs are set out below:

	Liability portion	Convertible preference shares reserve	Other reserve
	HK$'000	**HK$'000**	**HK$'000**
Balance at 31 December 2017	—	2,487,169	—
Capital reduction	—	(129,957)	—
Equity extinguished to liability after the Amendments	77,301	(610,399)	533,098
Change in fair value	(1,679)	—	—
Reclassify convertible preference shares from liability to equity after the Expiry of Adjustment	(75,622)	608,720	(533,098)
At 31 December 2018	—	2,355,533	—

31. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

The fair values of the Adjusted CPSs amounted to approximately HK$77,301,000 and HK$75,622,000 at the Effective Date and 30 June 2018 respectively, were determined based on the Binomial model. The valuation is carried out by BMI Appraisals, an independent valuer not connected with the Group. The major inputs into the models were as follows:

	At the effective date	At 30 June 2018
Share price	HK$1.22	HK$1.18
Conversion price	HK$6.00*	HK$6.00*
Expected volatility	50.66%	50.57%
Risk free rate	2.27%	2.26%
Expected dividend yield	1.71%	1.70%

* Subject to the Adjustment to the revised conversion price.

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 was credited to the capital reduction reserve account of the Company; and the credit in the amount of approximately HK$1,411.5 million in capital reduction reserve account of the Company shall be applied to set off against the accumulated losses account 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 ("Second Capital Reduction").

Following completion of the Second Capital Reduction, the credit in the amount of approximately HK$130,000,000 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$130,000,000 in the capital reduction reserve account of the Company shall be set off against the accumulated losses of the Company.

Details of the Second Capital Reduction was set out in the announcements of the Company dated 28 January 2018 and 3 May 2018 and the circular of the Company dated 28 February 2018.

32. 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, the parent of the Company.

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 in prior years 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 amount of the other borrowings provided by Grand Beauty as stated above 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.

33. DEFERRED TAXATION

The movement on the deferred tax (assets)/liabilities is as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**14,480**	6,671
Deferred taxation charged to:		
— Profit or loss (Note 12)	**6,394**	7,723
Exchange realignment	**34**	86
At 31 December	**20,908**	14,480

33. DEFERRED TAXATION *(Continued)*

	Accelerated tax depreciation/ (depreciation in excess of related depreciation allowance)	Withholding tax on interest income	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2017	—	6,671	6,671
Charged to profit or loss (Note 12)	526	7,197	7,723
Exchange realignment	—	86	86
At 31 December 2017 and 1 January 2018	526	13,954	14,480
Charged to profit or loss (Note 12)	(844)	7,238	6,394
Exchange realignment	3	31	34
At 31 December 2018	(315)	21,223	20,908

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018	2017
	HK$'000	HK$'000
Deferred tax assets	**(315)**	—
Deferred tax liabilities	**21,223**	14,480
	20,908	14,480

At the end of the reporting period, the Group had unused tax losses of approximately HK$207,941,000 (2017: HK$160,331,000) 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$14,172,000 (equivalent to approximately RMB10,832,711) (2017: HK$12,438,000 (equivalent to approximately RMB9,349,999)) 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.

34. LEASES

Finance lease

At 31 December 2018, the Group had obligation under finance lease repayable as follows:

	Minimum lease Payments 2018	Interest 2018	Present value 2018
	HK$'000	HK$'000	HK$'000
Within 1 year	111	24	87
After 1 year but within 5 years	266	60	206
	377	84	293

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

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:

	2018	2017
	HK$'000	HK$'000
Within one year	4,260	4,600
In the second to fifth year inclusive	846	2,976
	5,106	7,576

34. LEASES *(Continued)*

Operating lease — the Group as lessee *(Continued)*

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for terms ranging from one to two years (2017: one to three years) and rentals are fixed over the lease terms.

Property rental income earned from leasing of the Group's investment properties during the year is disclosed in Note 6. The properties held by the Group have committed tenants for the lease term ranging from six months to eight years (2017: six months to seven 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:

	2018	2017
	HK$'000	HK$'000
Within one year	**75,180**	29,511
In the second to fifth year inclusive	**248,863**	52,021
After 5 years	**124,326**	1,056
	448,369	82,588

35. CAPITAL COMMITMENTS

Capital expenditures contracted for at the end of the reporting period but not yet incurred are as follows:

	2018	2017
	HK$'000	HK$'000
Capital contribution to an unlisted investment (Note 20(c)(v))	**—**	2,225
Properties under development (Note 22)	**18,495**	9,712
	18,495	11,937

36. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings	Finance lease	Amount due to intermediate holding company	Interest payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	2,048,945	70	—	4,686	2,053,701
Changes from cash flows:					
Cash advance from an intermediate holding company	—	—	552,675	—	552,675
Capital element of finance lease rentals paid	—	(78)	—	—	(78)
Interest paid	—	—	—	(23,718)	(23,718)
Total changes from financing cash flows	—	(78)	552,675	(23,718)	528,879
Other changes:					
Exchange adjustments	4,213*	—	—	—	4,213
Imputed interest expense on other borrowing (Note 10)	57,140*	—	—	—	57,140
Interest on bank and other borrowings (Note 10)	—	—	—	28,819*	28,819
Acquisition of assets under finance lease	—	331*	—	—	331
Written off of assets under finance lease	—	(59)*	—	—	(59)
Finance charges on obligations under finance lease	—	17*	—	—	17
Capital contribution through borrowings from parent	(24,924)*	—	—	—	(24,924)
Converted as perpetual bond (Note 32)	(1,590,707)*	—	—	(9,153)*	(1,599,860)
Amortisation of arrangement fee (Note 10)	2,000*	—	—	—	2,000
Total other charges	(1,552,278)	289	—	19,666	(1,532,323)
At 31 December 2017 and 1 January 2018	496,667	281	552,675	634	1,050,257

36. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank borrowings	Finance lease	Amount due to intermediate holding company	Interest payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017 and 1 January 2018	496,667	281	552,675	634	1,050,257
Changes from cash flows:					
Cash repayment to an intermediate holding company	—	—	(325,721)	—	(325,721)
Capital element of finance lease rentals paid	—	(116)	—	—	(116)
Cash repayment of bank borrowing	(500,000)	—	—	—	(500,000)
Interest paid	—	—	—	(28,360)	(28,360)
Total changes from financing cash flows	(500,000)	(116)	(325,721)	(28,360)	(854,197)
Other changes:					
Exchange adjustments	507*	—	—	—	507
Interest on bank and other borrowings (Note 10)	—	—	—	27,726*	27,726
Acquisition of assets under finance lease	—	104*	—	—	104
Finance charges on obligations under finance lease	—	24*	—	—	24
Increase in borrowing through acquisition of a subsidiary (Note 30)	424,820*	—	—	—	424,820
Amortisation of arrangement fee (Note 10)	3,333*	—	—	—	3,333
Total other charges	428,660	128	—	27,726	456,514
At 31 December 2018	425,327	293	226,954	—	652,574

* Non-cash transactions

37. 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 2018, the retirement benefits cost charged to the consolidated income statement of HK$1,226,000 (2017: HK$1,054,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

38. NON-CONTROLLING INTEREST

600 Clipper Investment Partnership LP, one of the subsidiaries of the Group, has non-controlling interest that are material to the Group. The Group is the general partner of 600 Clipper Investment Partnership LP and holds 19.5% limited partnership interest in 600 Clipper Investment Partnership LP. As the Group is the general partner of 600 Clipper Investment Partnership LP, the Group is vested with the full, exclusive and complete right, power, and discretion to operate, manage, and control the business and affairs of 600 Clipper Investment Partnership LP and to make all decisions affecting its affairs in the conduct and furtherance of the purpose of it.

38. NON-CONTROLLING INTEREST *(Continued)*

Summarised financial information before intra-group eliminations, excluded profit or loss and cash flows as no impact on the Group's activities and cash flows for the year ended 31 December 2018, in relation to the Company is presented below:

	2018
	HK$'000
For the year ended 31 December	
Revenue	56,392
Profit for the year	19,891
Total comprehensive income	19,891
Profit allocated to non-controlling interests	18,504
Dividends paid to non-controlling interests	20,240
For the year ended 31 December	
Cash flows generated from operating activities	15,736
Cash flows used in investing activities	(403)
Cash flows used in financing activities	(3,070)
Net cash inflows	12,263

	2018
	HK$'000
As at 31 December	
Current assets	67,580
Non-current assets	724,736
Current liabilities	(25,324)
Non-current liabilities	(425,533)
Net assets	341,459

39. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors (Note 13), for the year ended 31 December 2018 is HK$3,099,000 (2017: HK$3,528,000).

Other than loans to a joint venture and amount due to an intermediate holding company disclosed in Notes 21 and 26 respectively, compensation to key management disclosed in Note 13 and transactions disclosed below, the Group and the Company does not entered into any other transactions with related parties.

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

	2018	2017
	HK$'000	HK$'000
Transaction with parent:		
— Interest paid/payable	**—**	18,409
Transactions with fellow subsidiaries:		
— Rents paid	**34**	357
— Building management fee paid	**4**	34
— Disposal of motor vehicle	**—**	145
	38	536
Transaction with a joint venture:		
— Asset management fee paid	**4,522**	—
— Building management fee paid	**402**	364
— Other loan interest income (Note (a))	**(25,568)**	(25,696)
	(20,644)	(25,332)

(a) As at 31 December 2018, as described in Note 21, loan receivables of US$55,753,000 (equivalent to HK$434,525,000) (2017: US$55,753,000 (equivalent to HK$435,814,000)) in aggregate are due from the joint venture, among which a working capital facility of US$10,000,000 was granted by the Group to the joint venture on 31 December 2014 as described in Note 19(b). The interest income derived from loan receivables during the year was approximately HK$25,568,000 (2017: HK$25,696,000).

39. RELATED PARTY TRANSACTIONS *(Continued)*

(b) On 26 February 2018, the Group acquired (a) 100% equity interest in 600 Clipper GP Partner A LLC which, through its interest as general partner in 600 Clipper GP Partnership LP, indirectly holds and controls the entire general partnership interest and 0.5% limited partnership interest in 600 Clipper Investment Partnership LP and (b) 19.5% limited partnership interest in 600 Clipper Investment Partnership LP from Gemini-Rosemont at the consideration of approximately US$7,385,000 as detailed in Note 30 and the Company's announcement and circular dated 26 February 2018 and 29 March 2018 respectively.

40. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Investments in subsidiaries	41	**2,082,946**	1,948,261
Amounts due from subsidiaries	41	**2,975,440**	3,238,233
		5,058,386	5,186,494
Current assets			
Deposits and prepayments		**51,840**	251
Amounts due from subsidiaries	41	**932,584**	732,333
Bank balances and cash		**37,018**	606,911
		1,021,442	1,339,495
Current liabilities			
Other payables and accrued charges		**6,870**	10,049
Amount due to an intermediate holding company	41	**394,568**	552,675
Amounts due to subsidiaries		**7,763**	1,921
Borrowings		**—**	48,000
		409,201	612,645
Net current assets		**612,241**	726,850
Total assets less current liabilities		**5,670,627**	5,913,344

40. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	28	**185,453**	184,881
Reserves	29	**5,485,174**	5,279,796
Total equity		**5,670,627**	5,464,677
Non-current liabilities			
Borrowings		**–**	448,667
Total equity and non-current liabilities		**5,670,627**	5,913,344

On behalf of the directors

Sum Pui Ying
Director

Lai Kwok Hung, Alex
Director

41. INVESTMENTS IN SUBSIDIARIES

	The Company 2018 HK$'000	 2017 HK$'000
Unlisted shares, at cost	**3,113**	3,113
Deemed capital contribution (Note)	**2,079,833**	1,945,148
	2,082,946	1,948,261

Note:

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

41. INVESTMENTS IN SUBSIDIARIES *(Continued)*

In the opinion of the directors, based on their assessment as at 31 December 2018 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK$2,975,440,000 (2017: HK$3,238,233,000) 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 2018, the principal amounts due from subsidiaries have been adjusted to their fair value with a corresponding amount of HK$2,079,833,000 (2017: HK$1,945,148,000) 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% (2017: 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 2018 and 2017 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
				2018 %	2017 %	
Acute Sky Global Limited	British Virgin Islands ("BVI")	The U.S.	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
Charm City Global Limited	BVI	Hong Kong	US$1	**100**	100	Property Investment
City Beyond Investments Limited	BVI	Hong Kong	US$1	**100***	100*	Investment holding
Dawn City Global II LLC	The U.S.	The U.S.	US$12,039,641	**100**	100	Property Investment
Dawn City Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding

41. 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
				2018 **%**	2017 %	
Dawn City Global LLC	The U.S.	The U.S.	US$12,064,998	**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
Extra Power Global Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
Fame Gate Developments Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Flourish Day Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Forceful Basis Global Limited	BVI	The U.S.	US$1	**100***	100*	Investment holding
Gemini Investment (HK) Limited	Hong Kong	Hong Kong	HK$2	**100***	100*	Securities investment and trading
Gemini Investment Palo Alto LLC	The U.S.	The U.S.	US$1,003,340	**100**	—	Property development
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 Prosperity Limited	BVI	The U.S.	US$1	**100***	—	Investment holding
Gemini Prosperity Investment Limited	BVI	The U.S.	US$1	**100**	—	Investment holding

41. 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 2018 %	2017 %	Principal activities
Gemini-Rosemont Realty Holdings LLC	The U.S.	The U.S.	US$68,172,159	**100**	100	Property Investment
Glorious City Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Glorious Field Investments Limited	BVI	Hong Kong, The U.S. & Australia	US$1	**100**	100	Investment holding
Golden Skyline Golden Limited	BVI	The U.S.	US$1	**100**	—	Investment holding
Grandeur New Global II LLC	The U.S.	The U.S.	US$5,801,556	**100**	100	Property Investment
Grandeur New Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Grandeur New Global LLC	The U.S.	The U.S.	US$5,822,562	**100**	100	Investment holding
Jet City Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Jet City Global LLC	The U.S.	The U.S.	US$49,978	**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 Discovery Limited	BVI	Hong Kong	US$1	**100**	—	Property investment

41. 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
				2018	2017	
				%	%	
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
Lead Charm Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Magic Gold Global Limited	BVI	The U.S.	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 U.S.	US$1	**100**	100	Investment holding
Plan Rosy Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Precise Bloom Limited	BVI	Hong Kong	US$1	**100**	100	Property investment
River Thrive Global Limited	BVI	The U.S.	US$1	**100***	100*	Investment holding
Rosefield Global Investments Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Rosemont Diversified Portfolio II LP Holdings LLC	The U.S.	The U.S.	US$23,768,263	**100**	100	Investment holding
Rosemont WTC Denver GPM LLC Holdings LLC	The U.S.	The U.S.	US$10,908,086	**100**	100	Investment holding
Sheng Mao Investments Limited	BVI	Hong Kong	US$1	**100***	100*	Investment holding

41. 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
				2018 %	2017 %	
Shine Victory Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Shine Victory II LLC	The U.S.	The U.S.	US$8,023,309	**100**	100	Property Investment
Shine Victory LLC	The U.S.	The U.S.	US$8,044,153	**100**	100	Investment holding
Sinobliss Global Investments Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Soar Ocean Limited	BVI	The U.S.	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 U.S.	The U.S.	US$6,817,909	**100**	100	Investment holding
Southcourt Operating LLC	The U.S.	The U.S.	US$18,072,294	**100**	100	Property investment
Splendid Benefit Limited	BVI	Hong Kong	US$1	**100**	—	Property investment
Spring Day Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Starry Yield Holdings Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
Summer Bliss Global Limited	BVI	The U.S.	US$1	**100***	100*	Investment holding

41. 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
				2018	2017	
				%	%	
Sunray City Investments Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Sunrose Global Limited	BVI	The U.S.	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 U.S.	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
Ultimate Ventures Holdings Limited	BVI	Hong Kong	US$1	**100**	100	Property investment
Vital Harvest Global Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
Gemini-Rosemont New York Holdings LLC	The U.S.	The U.S.	US$65,736,342	**100**	—	Property development
Gemini-Rosemont New York LLC (formely known as "535 AOA LLC")	The U.S.	The U.S.	US$959,171	**100**	100	Property development
531-539 Sixth Avenue LLC (formerly known as "539 AOA LLC")	The U.S.	The U.S.	US$63,276,335	**100**	100	Property development

41. 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
				2018 **%**	2017 %	
600 Clipper GP Partner A LLC	The U.S.	The U.S.	US$1,045	**100**	—	Property development
600 Clipper GP Partner B LLC	The U.S.	The U.S.	US$188,055	**100**	—	Property development
600 Clipper SPV LLC	The U.S.	The U.S.	US$7,383,635	**100**	—	Property development
杭州盛能投資諮詢有限公司#	PRC	PRC	US$16,000	**100**	100	Investment holding
深圳譽得股權投資管理有限公司#	PRC	PRC	US$2,000,000	**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

42. 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 27) and total 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 total equity to total assets ratio of the Group at the end of reporting period was as follows:

	2018	2017
	HK$'000	HK$'000
Total equity attributable to owners of the Company	**5,805,865**	5,475,671
Total assets	**6,569,464**	6,589,265
Total equity to total assets ratio	**0.88:1**	0.83:1

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2018	2017
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss	2,199,672	—
Available-for-sale investments	—	2,226,977
Financial instruments — held for trading	170,884	267,786
At amortised cost		
— Other receivables	26,792	1,835
— Loan receivables	434,525	435,814
— Cash and bank balances	816,569	1,514,828
Restricted bank deposits	49,220	—
	3,697,662	4,447,240
Financial liabilities at amortised cost		
— Other payables and accrued charges	83,680	45,151
— Amount due to an intermediate holding company	226,954	552,675
— Borrowings	425,620	496,948
	736,254	1,094,774

(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.

43. 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**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**938,179**	1,157,179	**226,954**	552,675
RMB	**25,418**	54,178	**—**	—
Japanese Yen ("JPY")	**6**	6	**—**	—
Canadian dollar	**3**	—	**—**	—
A$	**45**	52	**—**	—
British Pound ("GBP")	**896**	1	**—**	—
Euro ("EUR")	**4,692**	756	**—**	—
	969,239	1,212,172	**226,954**	552,675

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

43. FINANCIAL INSTRUMENTS *(Continued)*

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

Foreign currency sensitivity

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

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

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

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates over the next reporting period. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive/(negative) numbers represented an increase/(a decrease) in profit in 2018 and a decrease/(an increase) in loss in 2017.

THE GROUP	**2018** **Increase/ (decrease) in foreign exchange rate**	**Effect on profit or loss**	2017 Increase/ (decrease) in foreign exchange rate	Effect on profit or loss
		HK$'000		HK$'000
RMB against HK$	**10%**	**2,541**	10%	5,418
	(10%)	**(2,541)**	(10%)	(5,418)
JPY against HK$	**10%**	**1**	10%	1
	(10%)	**(1)**	(10%)	(1)
A$ against HK$	**10%**	**5**	10%	5
	(10%)	**(5)**	(10%)	(5)
GBP against HK$	**10%**	**90**	10%	—
	(10%)	**(90)**	(10%)	—
EUR against HK$	**10%**	**462**	10%	76
	(10%)	**(462)**	(10%)	(76)

43. FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk management

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 27 to the financial statements.

Bank loan was issued at fixed rate or floating rate which expose the Group to fair value interest rate risk or cash flow interest rate. As at 31 December 2018, the Group's bank borrowing bears interest at fixed rate and will be wholly repayable in 2028. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

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 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 2018 would increase/decrease by HK$2,128,000 (2017: HK$2,485,000).

The analysis is performed on the same basis for 2017.

43. FINANCIAL INSTRUMENTS *(Continued)*

(e) Other price risks

The Group is exposed to price risk through its financial assets at fair value through profit or loss measured at fair value (Note 20) and the investments held for trading (Note 23), 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 financial assets at fair value through profit or loss have been chosen based on their growth potential and are monitored regularly for performance against expectations. The management also performed analysis of the nature of market risk associated with the equity securities held for trading, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group and located in different jurisdictions.

Price sensitivity

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

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period for the Group's financial assets at fair value through profit or loss 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 financial assets at fair value through profit or loss (2017: available-for-sale investments) had been 10% higher/lower, the Group's result for the year ended 31 December 2018 would increase/decrease by HK$55,153,000 (2017: other comprehensive income would increase/decrease by HK$84,978,000) as a result of the changes in fair value of listed equity securities held in the portfolio of financial assets at fair value through profit or loss.

43. FINANCIAL INSTRUMENTS *(Continued)*

(e) Other price risks *(Continued)*

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 profit for the year ended 31 December 2018 would increase/decrease by HK$17,048,000 (2017: loss for the year would decrease/increase by HK$26,779,000) 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

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its rental receivables, loan receivables, other receivables and bank balances.

In respect of rental receivables, the Group limits its exposure to credit risk by rigorously selecting the counterparties, dealing with credit worthy counterparties and requesting rental deposits from tenants. The Group tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management assesses the collectability of the receivables regularly and on a case-by-case basis for the determination of any loss allowance for the receivables by taking into account the customers' or debtors' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

As at 31 December 2018, the Group had certain concentration of credit risk as 94% of the Group's rental receivables were due from the Group's one largest customers of the respective year.

43. FINANCIAL INSTRUMENTS *(Continued)*

(f) Credit risk management *(Continued)*

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition on an ongoing basis throughout the years. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on receivables over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

— Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customer's ability to meet its debt obligations.

— Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group.

— Actual or expected significant adverse change in the regulatory, economic, or technological environment in which the customer operates that results in a significant change in the customer's ability to meet its debt obligations.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

43. FINANCIAL INSTRUMENTS *(Continued)*

(f) Credit risk management *(Continued)*

The Group assesses whether a financial asset is credit-impaired at the end of each reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

The Group measures loss allowance for rental receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The expected credit losses also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle the rental trade receivables. Rental receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group determines the expected credit loss rate for its loan receivables and rental receivable using the following provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

	As at 31 December 2018	As at 1 January 2018
	HK$'000	HK$'000
Current (not past due)	**0.5%**	0.5%

43. FINANCIAL INSTRUMENTS *(Continued)*

(f) Credit risk management *(Continued)*

The loss allowances as at 31 December 2018 was determined for loan and rental receivables as follows:

On 31 December 2018	Loan receivables	Rental receivables	Total
Expected credit loss rate (%)	0.5%	0.5%	
Gross carrying amount of loan receivables, current (not past due) (HK$'000)	436,708	—	436,708
Gross carrying amount of rental receivables, current (not past due) (HK$'000)	—	20,563	20,563
Loss allowances (HK$'000)	2,183	116	2,299

All of the loan receivables of the Group at amortised costs are considered to have low credit risk, and the loss allowances recognised during the year was therefore limited to 12 months ECLs.

The Group does not provide any guarantees which would expose the group to credit risk during the years ended 31 December 2018 and 2017.

The maximum exposure to credit risk in respect of the loans to a joint venture, included a working capital facility of US$10,000,000 granted to the joint venture and the key terms of the loans and facilities are disclosed in Note 21.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Movement in the loss allowance account in respect of rental receivables and loan receivables during the year is as follows:

	Loan receivables HK$'000	Rental receivables HK$'000	Total HK$'000
Balance at 1 January 2017 and 31 December 2017 under HKAS 39	—	—	—
Impact on initial application of HKFRS 9 (Note 4(c)(ii))	1,750	12	1,762
Balance at 1 January 2018	1,750	12	1,762
Impairment losses recognised during the year	433	104	537
Balance at 31 December 2018	2,183	116	2,299

The Group does not provide any guarantees which would expose the group to credit risk during the years ended 31 December 2018 and 2017.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

43. 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 2018							
Other payables and accrued charges		11,815	–	71,865	–	83,680	83,680
Amount due to an intermediate holding company		226,954	–	–	–	226,954	226,954
Borrowings	3.72%	1,370	2,610	12,160	553,957	570,097	425,620
		240,139	2,610	84,025	553,957	880,731	736,254
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

43. 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).

	As at 31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$000	**HK$000**	**HK$000**	**HK$000**
As at 31 December 2018				
Financial assets at fair value through profit or loss				
— Unlisted equity investments (Note (i))	—	—	2,211	2,211
— Club debenture (Note (i))	—	—	5,700	5,700
— Unlisted fund investments (Notes (i) and (ii))	—	401,645	1,790,116	2,191,761
— Financial instruments held for trading	170,484	—	—	170,484
	170,484	401,645	1,798,027	2,370,156

43. FINANCIAL INSTRUMENTS *(Continued)*

(h) Fair value of financial instruments *(Continued)*

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
	HK$000	HK$000	HK$000	HK$000
As at 31 December 2017				
Financial assets at fair value through profit or loss				
— Unlisted fund investments (Note (ii))	—	473,971	—	473,971
— Financial instruments held for trading	267,786	—	—	267,786
	267,786	473,971	—	741,757

During the year ended 31 December 2018 and 31 December 2017, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities.

(i) As at 31 December 2018, the fair values of unlisted equity investments, club debentures and certain unlisted fund investments have been determined by BMI Appraisals, the independent qualified valuer which are categorised under Level 3 fair value measurement. The movement of financial instruments under Level 3 of fair value hierarchy is as follows:

	31 December 2018	31 December 2017
	HK$'000	HK$'000
At the beginning of year	**1,795,074**	—
Fair value change recognised in profit or loss	**2,953**	—
At the end of year	**1,798,027**	—

43. FINANCIAL INSTRUMENTS *(Continued)*

(h) Fair value of financial instruments *(Continued)*

Fair value measurements recognised in the statement of financial position

Certain financial assets at fair value through profit or loss 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 financial assets at fair value through profit or loss (Notes 20 (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 2018, the fair values of financial assets at fair value through profit or loss grouped into Level 2 and financial instruments held for trading are HK$401,645,000 (2017: available-for-sale investments at fair value of HK$473,971,000) and HK$170,484,000 (2017: HK$267,786,000) respectively.

Other than set out in Notes 20 and 23, 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.

43. FINANCIAL INSTRUMENTS *(Continued)*

(h) Fair value of financial instruments *(Continued)*

Fair value measurements recognised in the statement of financial position (Continued)

The valuations are determined based on the following significant unobservable inputs:

	Valuation technique	Significant unobservable inputs	Range/ value	Sensitivity of fair value to the input
Club debentures	Market approach	Broker quotes	HK$5,450,000 to HK$6,100,000	Had the quote from brokers increased by 10%, the fair value would have increased by HK$570,000. Had the quote from brokers decreased by 10%, the fair value would have decreased to HK$570,000.
Unlisted fund investments which principally invests in residential and commercial real estate	Market approach	Premium or discount for quality of properties (e.g. view, level, size and condition of the properties)	-10% — 10%	Had the discount decreased by 5%, the fair value would have increased by HK$109,480,000. Had the discount decreased by 5%, the fair value would have increased by HK$109,480,000.
Unlisted fund investments which invests in real estate project	Market approach	Premium or discount for quality of properties (e.g. location, view, size, condition and time of the properties).	-3% — 20%	Had the discount decreased by 5%, the fair value would have increased to HK$18,800,000. Had the discount increased by 5%, the fair value would have decreased to HK$18,800,000.

43. FINANCIAL INSTRUMENTS *(Continued)*

(h) Fair value of financial instruments *(Continued)*

Fair value measurements recognised in the statement of financial position (Continued)

The fair value of unlisted fund investments under Level 2 has been determined with reference to the fair value of the underlying assets and liabilities of investment funds at the end of the reporting period.

The carrying amounts of the financial assets and financial liabilities measured at amortised cost as disclosed under current assets and current liabilities, respectively, approximate their fair value as they are all short term in nature.

44. 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 17, 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 premium 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) As described in Notes 4(c)(ii), the Group's impairment model has replacing the "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

44. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) The Group estimates the fair value of certain financial assets using the valuation performed by an independent professional valuer. In determining the fair value, the valuer based on different valuation methodologies which involves estimates in premium or discount for quality of properties and interest rates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market condition.

(d) 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 end of the reporting period. These estimates are regularly compared to actual market data and actual transactions in the market.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Directors of the Company on 28 February 2019.

Details of Investment Properties

Investment property and address	Lot Number	Use	Total gross floor area (Approx. 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 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)
Flat H on 41st Floor of Block 9, Tung Chung Crescent, No. 2 Mei Tung Street, Tung Chung, Lantau Island, New Territories, Hong Kong	Tung Chung Town Lot No. 1	Residential	1,019	100%	30 June 2047
Duplex Flat H on 48th Floor with Flat Roof of Block 8, Tung Chung Crescent, No. 2 Mei Tung Street, Tung Chung, Lantau Island, New Territories, Hong Kong	Tung Chung Town Lot No. 1	Residential	1,646	100%	30 June 2047

Details of Investment Properties

Investment property and address	Lot Number	Use	Total gross floor area (Approx. square feet)	Our Group's interest %	Government lease expiry/ Freehold
Carparking Space No. D80 on Podium Level 1 (North), Tung Chung Crescent, No. 2 Mei Tung Street, Tung Chung, Lantau Island, New Territories, Hong Kong	Tung Chung Town Lot No. 1	Residential	135	100%	30 June 2047
Units 16G, 20A, 20B, 21D, 25G, 26C, 26G, 28D, 29C, 30D, 31F, 32F, 32G, 33E, 34B, 34G, 35C, 35E, 37C 15 William Street, New York, the U.S.	N/A	Residential	16,553	100%	Freehold
3211 Shannon Road, Durham, North Carolina, the U.S.	N/A	Office	145,950	100%	Freehold
*500 and 600 Clipper Drive, Belmont, CA 94002, the U.S.	N/A	Office	158,596	20%*	Freehold

* This represents the entire general partnership interest and 20% limited partnership interest owned by the Group in 600 Clipper Investment Partnership LP which, in turn through its subsidiaries, owns this property. As the Group is the general partner of 600 Clipper Investment Partnership LP which empowers the Group to have the full, exclusive and complete right, power and discretion to operate, manage, and control the business and affairs of 600 Clipper Investment Partnership LP (including this property), 600 Clipper Investment Partnership LP is accounted for as a subsidiary of the Group.

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 U.S.	N/A	Mixed-used residential development	8,054	82,000	100%	Freehold	Demolition completed	4th quarter of 2020

Five-Year Financial Summary

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December,

	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	91,915	22,633	83,097	55,565	**189,815**
Profit/(Loss) before taxation	(144,738)	(1,133,009)	(248,109)	(72,341)	**43,397**
Taxation	(100)	(2,238)	(5,269)	(14,677)	**(12,664)**
Profit/(Loss) for the year	(144,838)	(1,135,247)	(253,378)	(87,018)	**30,733**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December,

	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	5,887,811	6,528,232	5,926,243	6,589,265	**6,569,464**
Total liabilities	(1,580,765)	(2,571,886)	(2,092,051)	(1,113,594)	**(763,599)**
	4,307,046	3,956,346	3,834,192	5,475,671	**5,805,865**
Equity attributable to:					
Owners of the Company	4,307,046	3,956,346	3,834,192	5,475,671	**5,529,034**
Non-controlling interests	—	—	—	—	**276,831**
	4,307,046	3,956,346	3,834,192	5,475,671	**5,805,865**

Corporate Information

BOARD OF DIRECTORS

Honorary Chairman

LI Ming

Executive Directors

SUM Pui Ying (Chief Executive Officer)
LAI Kwok Hung, Alex
CUI Yueming (resigned with effect from 1 March 2018)

Non-executive Directors

LI Ming (Honorary Chairman)
LI Hongbo
TANG Runjiang (appointed with effect from 1 March 2018)

Independent Non-executive Directors

LAW Tze Lun
LO Woon Bor, Henry
CHEN Yingshun (appointed with effect from 21 April 2018)
DENG Wei (retired on 20 April 2018)

AUDIT COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
CHEN Yingshun (appointed with effect from 21 April 2018)
DENG Wei (retired on 20 April 2018)

REMUNERATION COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
CHEN Yingshun (appointed with effect from 21 April 2018)
DENG Wei (retired on 20 April 2018)

NOMINATION COMMITTEE

LI Ming (Chairman)
SUM Pui Ying
LAW Tze Lun
LO Woon Bor, Henry
CHEN Yingshun (appointed with effect from 21 April 2018)
DENG Wei (retired on 20 April 2018)

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