Gemini Investments (Holdings) Limited

盛洋投资

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

2019
Annual Report

CONTENTS

Financial Highlights

(HK$'000)	**2019**	2018
Revenue	**115,499**	189,815
(Loss)/Profit before income tax	**(52,648)**	43,397
(Loss)/Profit for the year	**(51,961)**	30,733
(Loss)/Profit attributable to owners of the Company	**(94,713)**	12,229
(Loss)/Earnings per share		
— basic (HK dollars)	**(0.21)**	0.03
— diluted (HK dollars)	**(0.21)**	0.01

(HK$'000)	**2019**	2018
Total assets	**7,002,919**	6,569,464
Equity attributable to owners of the Company	**5,446,083**	5,529,034
Cash and cash equivalents	**975,181**	816,569

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 2019 (the "**Year**" or "**2019**").

FINANCIAL RESULTS

During the Year, our Group recorded a loss attributable to its owners of approximately HK$94.7 million (a profit attributable to owners of the Company of approximately HK$12.2 million was recorded in 2018). Details of the financial result are described in the section headed "Management Discussion & Analysis".

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 fund platform, the Group continues to penetrate into the United States of America (the "**U.S.**") real estate market, through the strategic cooperation with our U.S. real estate fund platform, Gemini-Rosemont Realty LLC ("**GR Realty**"). In 2019, GR Realty has been actively executing for its investment and operation strategy in response to the changing market and more careful consideration in project selection, with more focus on technology-driven, higher quality markets in gateway cities and first-tier cities in the U.S. (such as those investments made in Seattle and Silicon Valley in recent years), while generally realising those investments made in non-gateway cities of the U.S. in early years. In addition, GR Realty consolidated its regional offices to improve operational efficiency and relocated corporate headquarters to Los Angeles, one of the world's largest commercial real estate markets, which provides GR Realty with greater access to U.S. and international industry partners and markets, and better positions to capture the incoming opportunities. Despite the pursuit of such repositioning strategy, GR Realty still has certain properties in non-gateway submarkets whose valuations had decreased in 2019. With expected on-going negative market sentiment and uncertainty in market outlook stemmed from the U.S.-China trade conflicts, we expect tenants to stay cautious in office buildings and non-gateway cities in the coming year. However, we are positive on the medium term value creation as a result of executing the repositioning strategy. The Group will keep up with its current strategy, aiming to more efficiently capture sound business opportunities in the U.S and prudently expand the asset management scale.

In regards of property development, the Group continues to promote our pilot project in the core location of Manhattan, New York City together with experienced commercial partners. The project will be developed as a complex residential project with expected total gross floor area of approximately 82,000 square feet with unique product types and splendid amenities. The construction of the project has been commenced smoothly in the first quarter of 2019 and is expected to be completed in the second half of 2021.

Chairman's Statement

DEVELOPMENT PROSPECTS

Uncertainties in trade disputes and Brexit negotiation, fluctuations in commodity and currency prices and expectation of slower growth in major economies are posing headwinds and heightening risks to global economic prospects. Although there are moderate signs of stability during the first quarter of 2020 ranging from the signed phase one trade deal between U.S. and China to the formal exit of the United Kingdom from the European Union on 31 January 2020, considerable uncertainties in economic and trade conditions will likely persist throughout the year. Accordingly, we need to maintain a high degree of prudence on our invested projects and potential opportunities in the future.

In the meanwhile, we will continue to improve our operational efficiency and internal control system, reinforce market knowledge, strengthen business network and relationship, and solid our project management skills, so as to seize investment opportunity in a timely manner under the rapidly changing market environment. In addition, we will continue to follow closely with the market movements, stay cautious on the market and investment selection, and persistently adhere to the discipline of value investing, so as to strengthen our core competencies, and to contribute sustainable growth and return.

Leveraging on GR Realty's solid knowhow, sound execution capacity, good relationship and well-established platform in local market, the Group is committed to focus on the U.S. real estate market. We will also continue to explore and seek sound investment opportunities globally in core markets to enrich and expand our business scope in the property markets, aiming to improving the return for the shareholders of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity 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 2020

FINANCIAL REVIEW

Revenue

During 2019, our Group recorded revenue of approximately HK$115.5 million (2018: approximately HK$189.8 million). The decrease in revenue by approximately HK$74.3 million was mainly due to there being no dividend income derived from our fund investments during 2019 as a result of conservative dividend policy of our fund investments in 2019 as compared to 2018 (2018: dividend income from fund investments of approximately HK$84.7 million). Although, as revealed in our revenue breakdown as set forth in the table below, there was an increase in rental revenue of approximately 22% during 2019 which was principally contributed by the full-year rental revenue from an equity investment acquired by us in the first half of 2018 which owns a premier office campus in the heart of San Francisco Peninsula, California, the U.S., such increase in rental revenue has been more than off-set by the above decrease in dividend income.

The following table sets forth our Group's revenue breakdown for 2019 and 2018:

	2019	2018
	HKD'000	HKD'000
Rental revenue	**113,612**	93,131
Dividend income	**1,887**	96,684
	115,499	189,815

Other Income

Other income of the Group was approximately HK$36.0 million for the Year (2018: approximately HK$37.0 million). Other income mainly includes bank interest income and other interest income from loan receivables of the Group.

Changes in Fair Value of Financial Assets at Fair Value Through Profit or Loss

During the Year, our Group recorded gain arising from changes in fair value of financial assets at fair value through profit or loss of approximately HK$23.2 million (2018: loss of approximately HK$65.2 million). The changes in fair value of financial assets at fair value through profit or loss mainly derived from changes of value of unlisted fund investments held by the Group. Details of significant unlisted fund investments are disclosed in "Fund Investments" under operation review section below.

Share of Results of Joint Ventures

Loss arising from share of loss of joint ventures of approximately HK$1.2 million (2018: loss of approximately HK$2.8 million) was recorded during the Year, which was attributable to the result of our interest in our U.S. real estate fund platform — GR Realty. During the Year, whilst GR Realty itself recorded profit, after net of tax and other comprehensive income, of approximately US$0.17 million despite the incurrence of certain one-off expenditures for consolidating the regional offices as its repositioning plan, certain syndicated projects invested and controlled by GR Realty recorded loss of approximately US$0.32 million. GR Realty acts as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the U.S.. Along with the "phase one" trade deal agreed between U.S. and China in December 2019, going forward GR Realty will keep up with its investment plan to focus on investments in high potential markets in the U.S. Our Group will closely monitor and support GR Realty's business strategy and take appropriate actions from time to time.

Provision for Impairment Loss on Financial Assets

A provision for impairment loss on financial assets of approximately HK$58.7 million (2018: provision of approximately HK$0.5 million) was made for the Year, ascertained on the basis of an expected loss rate of approximately 14% for loans to GR Realty and an expected loss rate of approximately 0.5% for rental receivables, with an aggregate gross amount of such loans to GR Realty and rental receivables (with reference to which such provision was ascertained) of approximately HK$468.3 million as at 31 December 2019, in accordance with the Hong Kong Financial Reporting Standard 9 — Financial Instruments. Such impairment rules require the Group to recognise a reversible expected credit losses ("**ECLs**") allowance for rental and loan receivables, which measured at the end of each reporting period to reflect changes in the receivable's credit risk. Our Group considers the credit risk with reference to reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, such as our Group's historical experience, similar industry market condition insight and other related factors. During 2019, in view of the continuing global uncertain economic outlook, the coming U.S. presidential election and the global economy vulnerable to the uncertainty of the outcome of the further phase of the U.S.-China trade talk, our Group adopted a prudent estimate on the ECLs and considered the forward looking rate of the ECLs has increased. Our Group will closely monitor the credit risk and performance of rental and loan receivables and review the ECLs periodically.

As at 31 December 2019, the rental receivables, net of ECLs allowance, due from the tenants amounted to approximately HK$34.0 million (2018: approximately HK$20.5 million), which are not past due at the end of the reporting period. There is no credit period granted to the tenants.

Finance Costs

Finance costs for the Year decreased from approximately HK$31.6 million in 2018 to approximately HK$17.2 million, which was primarily due to a decrease in finance costs by approximately HK$13.0 million as the Group has fully repaid a bank borrowing with a principal amount of HK$500.0 million in November 2018. During 2019, interest on lease liabilities of approximately HK$0.9 million was recorded in accordance with the Hong Kong Financial Reporting Standard 16 — Leases. Such rules require a lease should recognise depreciation of the right-of-use asset and interest on the lease liabilities. Our management will continue to maintain our Group's finance costs at a reasonable level.

Other Expenses

Other expenses of the Group increased to approximately HK$103.0 million for the Year from approximately HK$84.1 million for 2018. The increase in other expenses was mainly caused by the incurrence of repair and maintenance expenses of approximately HK$10.9 million (2018: approximately HK$5.0 million) for the enhancement of our investment properties in the U.S. and an exchange loss of approximately HK$9.4 million (2018: exchange gain of approximately HK$4.6 million) recorded arising from the depreciation of U.S. dollar against Hong Kong dollar during 2019. Other expenses included direct operating expenses arising from investment properties held by the Group of approximately HK$43.9 million (2018: approximately HK$35.4 million) and general operating costs of the Group of approximately HK$59.1 million (2018: approximately HK$48.7 million), such as rent and rates, auditor's remuneration, professional fees paid for daily operations and investment research, other administrative and office expenses as well as exchange difference.

Loss Attributable to Owners of the Company

Our Group recorded a loss attributable to owners of the Company of approximately HK$94.7 million for the Year as compared to a profit attributable to owners of the Company of approximately HK$12.2 million in 2018. Consequently, our Group recorded basic loss per ordinary share of approximately HK$0.21 for the Year versus basic earnings per ordinary share of approximately HK$0.03 in 2018. No adjustment was made on the diluted loss per ordinary share for the Year as the impact of the outstanding share options and convertible preference shares of the Company has an anti-dilutive effect on the basic loss per share (2018: diluted earnings per ordinary share was HK$0.01). Our management will continue to focus on the improvement of our shareholders' return as their on-going principal task.

Financial Resources and Liquidity

The principal amount of our total bank borrowings increased from approximately HK$425.3 million (comprising a bank borrowing of US$54.3 million bearing at fixed interest rate of approximately 3.72% per annum and repayable in 2028) as at 31 December 2018 to approximately HK$664.3 million as at 31 December 2019, mainly due to loan drawdown from a bank facility of US$65.0 million bearing at floating interest rate with average of approximately 4.77% per annum during 2019 and being repayable in 2020 (loan drawndown from such facility was first made in February 2019, and a principal of US$31.0 million (equivalent to approximately HK$241.4 million) has been drawn from such facility as at 31 December 2019). Such loan drawdown was made to finance the development project located in New York City which was acquired by the Group in 2017. Apart from the above, our Group did not have any other interest-bearing debt as at 31 December 2019.

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 2019, total cash resources (including bank balances and cash and short-term bank deposits) of our Group amounted to approximately HK$975.2 million (2018: approximately HK$816.6 million) which is sufficient to pay off all bank borrowings of our Group with a principal amount of approximately HK$664.3 million (2018: approximately HK$425.3 million). Therefore, our Group did not have any gearing on a net debt basis as at 31 December 2019 and 2018.

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.

Even though the Company maintains a healthy financial position, given the current uncertainties relating to the global economy, the Board decided to adopt a prudent approach to strengthen our financial position. The Board also noted that the trading liquidity of the Company's shares is relatively thin for a meaningful size of shares to be transacted in the market. Given the above observations, the Board is considering various means to increase the financial resources available to the Group, and to enhance the Company's publicity in the market, which is in line with the interest of the Company and its shareholders as a whole. As at the date of this annual report, there is however no concrete or binding arrangement or decision in respect of the above.

Financial Guarantees

As at 31 December 2019 and 2018, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 31 December 2019, our Group had pledged bank deposits of approximately HK$8.6 million (2018: approximately HK$16.1 million) and pledged investment properties in the U.S. with a carrying value of US$92.1 million (equivalent to approximately HK$717.3 million) (2018: US$91.8 million (equivalent to approximately HK$719.1 million)). The pledged bank deposits and investment properties have been used to secure a long term bank borrowing of US$54.3 million (equivalent to approximately HK$422.9 million) (such long term bank borrowing being attributable to an office campus in the U.S. acquired in 2018), bearing a fixed interest rate of approximately 3.72% per annum and repayable in 2028.

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 reportable and operating segments is set out in Note 5 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.. GR Realty is the exclusive real estate U.S.-based investment manager of our Group which is charged with the responsibility of refining and growing the GR Realty's portfolio of office properties. Our Group's investment strategy for GR Realty is to achieve medium-long term superior returns from GR Realty and prudently grow assets under management with top performing real estate's investment manager in the U.S..

Our total capital contribution to GR Realty is approximately US$118.6 million (equivalent to approximately HK$919.6 million). Our interest in GR Realty, together with interest in certain syndicated projects controlled by GR Realty, increased from approximately HK$858.6 million as at 31 December 2018 to approximately HK$861.7 million as at 31 December 2019 (representing about 12.3% of our Group's total assets as at 31 December 2019).

During the Year, our Group shared a loss of approximately HK$1.2 million (2018: a loss of approximately HK$2.8 million) as a result of its interest in GR Realty. The reasons for the loss of GR Realty are elaborated in the sub-section headed "Share of Results of Joint Ventures" under the section headed "Financial Review" above. As at 31 December 2019, GR Realty continued to engage in the ownership and/or management of its investment portfolio, comprising over 35 commercial properties (51 buildings), with over 7.9 million square feet in 15 states across the U.S.. During the Year, GR Realty has been actively executing its repositioning plan for its property portfolio. While there are challenges ahead resulting from the repositioning move, such as tenant mix changes resulting drop in occupancy rate in the short term, we are positive on the medium term value created by the repositioning move. The top management of GR Realty advises they will continue to take appropriate actions as and when necessary and appropriate.

As at 31 December 2019, our Group owned and operated a premier office campus in the heart of San Francisco Peninsula, California, the U.S. (the "**Office Property**"). Such investment was recorded as investment property with carrying value of US$92.1 million (equivalent to approximately HK$717.3 million) (2018: US$91.8 million (equivalent to approximately HK$719.1 million)), and generated rental income of approximately HK$78.8 million for 2019 (2018: approximately HK$56.4 million). 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 as well as its strategic key center in the U.S..

During 2019, we have maintained high tenant satisfaction through multiple ways, such as working on the landscape of investment properties in the U.S. and tenants improvements.

Management Discussion & Analysis

Property Investments and Development

The Group's investment properties comprise of commercial and residential real estate in Hong Kong and the U.S., with fair value of approximately HK$460.2 million and approximately US$44.3 million (equivalent to approximately HK$345.3 million) respectively (2018: approximately HK$388.9 million and approximately US$46.1 million (equivalent to approximately HK$361.3 million) respectively).

During the Year, our Group recorded a revaluation loss of approximately HK$16.6 million for its investment properties (2018: revaluation gain of approximately HK$51.9 million). Revaluation loss recognised was mainly attributable to the lower fair value of the office building situated in Hong Kong and residential properties situated in the U.S. as a result of the market sentiment, which are determined using market comparison approach by reference to recent sales prices 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.

As at 31 December 2019, our Group held investment properties comprising A-grade office premises in Hong Kong and the U.S. with gross floor area of approximately 16,000 square feet and 146,000 square feet respectively, and residential units 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 approximately 77% as at 31 December 2019.

As at 31 December 2019, the Group's wholly owned property development project, which is located at 531-537, 539th Sixth Avenue of Manhattan, the heart of New York City, has a carrying value of approximately HK$685.9 million (2018: approximately HK$479.5 million). It is now under construction and will be developed into a 13-stories mixed-use residential building structure with 145-foot tall and estimated gross floor area of approximately 82,000 square feet. Our Group plans to structure unique product types with splendid amenities including certain duplex units which are in scarcity in Manhattan. The excavation and foundations for this development had commenced in the first quarter of 2019, followed by the concrete superstructures and other construction processes. Due to complexity of curtain wall and façade coordination, final completion of the development is expected in the second half of 2021.

During the Year, related finance costs of approximately US$0.6 million (equivalent to approximately HK$4.7 million) incurred under a loan drawdown with a principal amount of US$31.0 million (equivalent to approximately HK$241.4 million) from a bank facility of US$65.0 million repayable in 2020, have been capitalised to the properties under development.

Fund Investments

Our fund investment portfolio includes unlisted equity investments and unlisted fund investments and is classified as financial assets at fair value through profit or loss. Our fund investment portfolio recorded carrying value of approximately HK$2,215.4 million as at 31 December 2019 (2018: approximately HK$2,193.8 million). Gain arising from changes in the fair value of financial assets at fair value through profit or loss of approximately

HK$23.8 million was recorded during 2019 (2018: loss of approximately HK$65.6 million) as certain equities investments held by the funds recorded strong performance during 2019, while certain debt investments held by the funds recorded stable return.

Advised by the independent investment managers of the funds, with their diversified investment portfolio, strategy and expertise, which focus on different industries such as property and property-related value chain industries and new economy industries, our funds were able to capture good opportunities during the past year which in return brought good results. As investment strategy for our fund investments, our Group will continue to monitor the global political developments and the general macro picture, and maintain active communication and cautious and pragmatic approach in our fund investments. Our Group will keep looking for other investment channels in order to bring better returns for our shareholders.

Apart from the significant investments held by the Group under fund investment portfolio as disclosed below, there were other fund investments held by the Group as at 31 December 2019 which mainly invested in global securities in diversified industries. The fair value of such other fund investments held by the Group increased to approximately HK$420.9 million as at 31 December 2019 from approximately HK$401.6 million as at 31 December 2018, mainly because of the strong performance of certain listed equity investments comprised in such fund investments as a result of the steady growth in the global economy as well as the 'phase one' trade deal having been agreed between the U.S. and China in December 2019. Further details of such other fund investments are set out in Note 19 to the consolidated financial statements of our Group as disclosed in this annual report.

Details of significant investments held by the Group under fund investment portfolio as at 31 December 2019 (being investment with a value representing 5% or more of the total assets of our Group as at 31 December 2019, whose details are required to be disclosed under paragraph 32(4A) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) are set out below:

- ***Investments in the Neutron Property Fund Limited (the "Property Fund")***

  As at 31 December 2019, the Group held approximately 1,012,000 (2018: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund which is incorporated in the Cayman Islands. Such shares held by the Group represented approximately 100% of the same class of shares issued by the Property Fund. The fair value of our investment in the Property Fund as at 31 December 2019 was approximately US$98.3 million (equivalent to approximately HK$765.3 million) (2018: approximately US$102.1 million (equivalent to approximately HK$799.7 million)), representing about 10.9% of our Group's total asset as at 31 December 2019. The original investment costs to the Group are US$100.0 million (equivalent to approximately HK$775.8 million).

  The Property Fund is managed by BRIC Neutron Asset Management Limited, a company incorporated under the laws of Hong Kong. The investment strategy 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 the U.S., Hong Kong and potentially to a lesser extent in Singapore and countries that are members of the Organisation for Economic Co-operation and Development. As at 31 December 2019, the principal assets of the Property Fund include diversified real estate portfolios in the U.S. and Hong Kong, and certain of such investments in the U.S. recorded decrease in value, resulting in a fair value loss of approximately HK$34.4 million on the investment in the Property Fund. There was no dividend income received/receivable from the Property Fund since investment and during 2019.

- ***Investments in the Neutron Private Equity Fund Limited (the "Private Equity Fund")***

  As at 31 December 2019, the Group held approximately 637,000 (2018: 637,000) non-redeemable, non-voting participating shares of the Private Equity Fund which is incorporated in the Cayman Islands. Such shares held by the Group represented approximately 100% of the same class of shares issued by the Private Equity Fund as at 31 December 2019. The fair value of our investments in the Private Equity Fund as at 31 December 2019 was approximately US$71.3 million (equivalent to approximately HK$555.3 million) (2018: approximately US$69.2 million (equivalent to approximately HK$541.9 million)), representing about 7.9% of our Group's total assets as at 31 December 2019. The original investment costs to the Group are US$64.5 million (equivalent to approximately HK$500.5 million).

  The Private Equity Fund is managed by BRIC Neutron Asset Management Limited, a company incorporated under the laws of Hong Kong. The investment strategy 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, Japan and/or Australia. As at 31 December 2019, the principal assets of the Private Equity Fund mainly include various debts instruments with underlying assets of real estate projects and low risk securities. Fair value gain of approximately HK$13.4 million was recorded for the investment in the Private Equity Fund during 2019 because stable interest return on debt instruments was recorded. The Group has so far received dividend income of approximately US$4.6 million since investment, but there was no dividend income received/receivable from the Private Equity Fund during 2019.

- ***Investments in the Prosperity Risk Balanced Fund LP (the "PRB Fund")***

  The Group agreed to contribute capital commitments for a total amount of US$60.0 million (equivalent to approximately HK$465.0 million) as a limited partner to the PRB Fund (an exempted limited partnership registered in the Cayman Islands), representing 23.08% of the total capital commitments of US$260.0 million (equivalent to approximately HK$2,025.0 million) of all the investors of the PRB Fund, on 3 November 2015. Up to 31 December 2019, the Group has contributed a total of US$59.7 million (equivalent to approximately HK$462.8 million) to the PRB Fund. As at 31 December 2019, the fair value of our investments in the PRB Fund was approximately US$60.9 million (equivalent to approximately HK$474.0 million) (2018: approximately US$57.3 million (equivalent to approximately HK$448.5 million)), representing about 6.8% of our Group's total assets as at 31 December 2019.

The PRB Fund is managed by Prosperity Risk Balanced GP Limited, a company incorporated under the laws of Cayman Islands. The investment strategy of the PRB Fund is to invest in debt instruments issued by 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; and to invest in other investment funds. As at 31 December 2019, the assets of the PRB Fund mainly include fund investments with underlying assets of listed equities and debt securities focusing on the technology media telecom sector, property and property-related value chain and new economy industries. Fair value gain of approximately HK$25.5 million was recorded for the investment in the PRB Fund during 2019, mainly because of the positive return on the underlying global listed equities comprised in the PRB Fund. The Group has so far received dividend income of US$9.0 million since investment, but there was no dividend income received/receivable from the PRB Fund during 2019.

Securities and Other Investments

As at 31 December 2019, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong and overseas of approximately HK$286.3 million (2018: approximately HK$170.9 million). During the Year, our Group recorded loss arising from changes in fair value of financial instruments held for trading of approximately HK$4.3 million (2018: loss of approximately HK$43.2 million) amid the volatile global capital market and recorded dividend income from securities and other investments of approximately HK$1.9 million (2018: approximately HK$12.0 million). The decrease in dividend income from other investments was a result of our exit of a property development project in Melbourne, Australia in the first half of 2018, which had contributed a dividend income of approximately HK$9.3 million for 2018.

Securities investment forms part of our Group's cash management activities and we maintain investment portfolio with proper diversification to avoid the fluctuation of any single market.

Employees

As at 31 December 2019, the total number of staff employed was 30 (2018: 32). During the Year, the level of our overall staff cost was approximately HK$25.5 million (2018: approximately HK$26.5 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 2019, our Group had no significant contingent liabilities.

Management Discussion & Analysis

Capital Commitments

As at 31 December 2019, the Group had capital commitments of approximately HK$325.0 million (2018: approximately HK$18.5 million), which were wholly attributable to property development expenditure for the property development project in Manhattan as mentioned in the sub-section headed "Property Investments and Development" above. The Group will finance such commitments from a bank facility of US$65.0 million bearing at floating interest rate with average of approximately 4.77% per annum during 2019 and being repayable in 2020.

Other Information

Our Group expect the global economy uncertainty to persist. As the on-going U.S.-China trade conflict and other geopolitical risks will not be solved within a short period, 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.

Subsequent Events after the Reporting Period

On 28 February 2020, the Company entered into a third deed of cancellation with Grand Beauty Management Limited ("**Grand Beauty**"), a subsidiary of Sino-Ocean, for the implementation of the proposed capital reduction involving the cancellation of 31,666,667 convertible preference shares held by Grand Beauty, which represented approximately 4.03% of all the convertible preference shares of the Company then in issue. The implementation of the proposed capital reduction is subject to fulfillment of certain conditions precedent. If such proposed capital reduction has become effective, a credit in the amount of approximately HK$95.0 million will arise from the capital reduction and be transferred and credited to a capital reduction reserve account of the Company, which will be available to set off against any loss of the Company, and make distribution to its shareholders or undertake corporate exercise which would require the use of distributable reserves in the future when appropriate. The proposed amount of capital reduction in the sum of approximately HK$95.0 million is determined with reference to the Group's loss attributable to owners of the Company for the year ended 31 December 2019. Details of the transaction are set out in the announcement of the Company dated 28 February 2020.

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.

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

Our Group's assets and liabilities were mainly denominated in Hong Kong Dollars, US$ and Renminbi ("**RMB**"). As at 31 December 2019, our Group has not entered any hedging to mitigate the foreign exchange rate risk, but our Group will continue to closely monitor the foreign exchange 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.

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 56, 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 has extensive experience in corporate governance, property development and investment and listed companies management. Mr. LI is currently 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 Chartered Builder of The Chartered Institute of Building in the United Kingdom and a 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 (now known as “Jilin University”) in 1985; graduated from the Graduate School of Chinese Academy of Social Sciences in 1996; and graduated from the China Europe International Business School, obtained a Master’s Degree in Business Administration in 1998.

Mr. SUM Pui Ying, Adrian, aged 58, 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, and a director of various subsidiaries of the Company. Mr. SUM joined the Group in 2011. He is currently an executive director, the chief financial officer and company secretary of Sino-Ocean. Mr. SUM joined Sino-Ocean Group in May 2007. He has extensive experience in corporate management of listed companies, investment and financing and financial management. Mr. SUM is currently 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 55, 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. Mr. LAI is also a director of various subsidiaries of the Company. Mr. LAI has over 30 years' solid experience in corporate governance, financial advisory and management, funds raising, business development and management. 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 Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Mr. LAI has also been an associate member of Urban Land Institute since May 2017 and a member of The American Chamber of Commerce in Hong Kong since October 2017. He 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 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 52, has been appointed as a non-executive Director since 22 October 2010. He is currently the chief accountant 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 51, 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 48, 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 26 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.

Mr. LO Woon Bor, Henry, aged 56, 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 a consultant solicitor of Messrs. Chan, Wong & Lam Solicitors in Hong Kong. With over 27 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 54, 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.

* *For indentification purpose only*

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Ms. LAM Yee Lan
Business Director

Ms. LAM Yee Lan, aged 35, joined the Group as Financial Controller in 2017, and was appointed as Business Director of the Group in 2020, responsible for overseeing business activities in overseas market, including business operations and oversight of asset management and operating performance of investment portfolio. Ms. LAM also is a director of a number of subsidiaries of the Company. She has over 10 years of working experience in financial and asset management. Prior to joining the Group, she worked as vice president of a Chinese background real estate fund, a joint venture of the Group, 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 (HKICPA).

Ms. WANG Xi
Financial Controller

Ms. Wang Xi, aged 34, joined the Group in 2012 and is currently the Financial Controller of the Group and a director of a number of subsidiaries of the Company. She oversees finance and treasury function of the Group, including financial planning and analysis, treasury management, controller functions and risk management. 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.

Ms. YUE Pui Kwan
Company Secretary

Ms. YUE Pui Kwan, aged 44, 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 Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). 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.

Mr. CHEUNG Sin Kei
Associate Director

Mr. CHEUNG Sin Kei, aged 35, joined the Company in 2016. Mr. CHEUNG is an Associate Director of the Company and a director of a number of subsidiaries of the Company. Mr. CHEUNG's main duty covers business coordination, financial control and treasury management of overseas development projects of the Group. He has 12 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 Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Directors' Report

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

It is the pleasure of the directors of the Company (the "**Director(s)**" or the "**Board**") to present to the shareholders their report (the "**Directors' Report**") and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (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 39 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 81 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 2019 (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 17 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 39 to 57 of this annual report.

SHARE CAPITAL

There was no change in the share capital of the Company during the Year.

EQUITY-LINKED AGREEMENTS

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

INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

All of the investment properties of the Group were revalued at 31 December 2019, as set out in Note 16 to the consolidated financial statements of the Group. Properties under development of the Group at 31 December 2019 are set out in Note 21 to the consolidated financial statements of the Group. Particulars of the investment properties and properties under development of the Group as at 31 December 2019 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 17 to the consolidated financial statements of the Group.

DISTRIBUTABLE RESERVES

As at 31 December 2019, 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$862.0 million (31 December 2018: approximately HK$561.9 million). Details of the movement in the reserves of the Group and the Company during the Year are set out in Note 28 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)
LAW Tze Lun (INED)
LO Woon Bor, Henry (INED)
CHEN Yingshun (INED)

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. SUM Pui Ying, Mr. LI Hongbo and Mr. TANG Runjiang, 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 reelection.

During the Year and up to the date of this Directors' Report, Mr. SUM Pui Ying, 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 amount due to an intermediate holding company, perpetual bond and the related party transactions of the Group as disclosed in Notes 25, 30 and 37 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 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange were as follows:

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

Under the share option scheme of the Company (whose details are further described in the section headed "Share Option Scheme" below), share options were granted to the following Directors which entitled them to subscribe for ordinary shares of the Company (the "**Shares**"). Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them as at 31 December 2019 were as follows

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2019	Exercise price per Share HK$	Approximate percentage of interest in the issued Shares as at 31 December 2019
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 2019, the interests of the Directors in the shares of Sino-Ocean Group Holding Limited ("**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 2019
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	14,743,200 (L) (Note 2)	0.194%
		Total: 161,081,378 (L)	2.115%
SUM Pui Ying	Beneficial owner	3,505,500 (L)	0.046%
LI Hongbo	Beneficial owner	103,100 (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 14,743,200 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.

Directors' Report

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 2019 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 2019	Approximate percentage of interest in the issued share capital of Sino-Ocean as at 31 December 2019
LI Ming	Beneficial owner	31 March 2017	171,000 (L)	0.002%
SUM Pui Ying	Beneficial owner	31 March 2017	51,000 (L)	0.001%
LI Hongbo	Beneficial owner	31 March 2017	11,922 (L)	less than 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 2019 were as follows:

Name of Directors	Capacity	Date of grant of share options	Exercise period (Notes 6 and 7)	Number of shares in Sino-Ocean over which options are exercisable as at 31 December 2019	Exercise price per share HK$	Approximate percentage of interest of such share options held as at 31 December 2019 relative to the issued share capital of Sino-Ocean as at 31 December 2019
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%
		27 March 2019	(Note 5)	50,000,000 (L)	3.37	0.657%
				Total: 81,540,000 (L)		1.071%
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. Exercisable from 27 March 2020 to 26 March 2024.

6. 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.

7. All the above share options of Sino-Ocean granted on 4 September 2018 and 27 March 2019 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.

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

As at 31 December 2019, 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 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2019	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
LAI Kwok Hung, Alex	9 August 2013	0.96	3,000,000 (L)	–	–	–	–	3,000,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	500,000 (L)	–	–	–	–	500,000 (L)	9 March 2015 – 22 June 2021
LI Hongbo	9 August 2013	0.96	1,000,000 (L)	–	–	–	–	1,000,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	500,000 (L)	–	–	–	–	500,000 (L)	9 March 2015 – 22 June 2021

	Date of grant	Exercise price per Share HK$	Number of Shares over which options are exercisable: Balance as at 1 January 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2019	Exercise period
Employees of the Group	26 August 2011	1.40	300,000 (L)	–	–	–	–	300,000 (L)	26 August 2011 – 22 June 2021
	9 August 2013	0.96	4,420,000 (L)	–	–	–	–	4,420,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	2,790,000 (L)	–	–	–	–	2,790,000 (L)	9 March 2015 – 22 June 2021
Total			34,510,000 (L)	–	–	–	–	34,510,000 (L)	

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

(a) at no time during the Year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and

(b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

CHANGE IN DIRECTOR'S INFORMATION

There is no change in information on Directors since the date of the Interim Report 2019 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2019, 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 2019
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%

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 2019, 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 68.2% and 76.9% 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 transactions with fellow subsidiaries as disclosed in "Related Party Transactions" under Note 37 to the consolidated financial statements of the Group 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 37 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 26 to the consolidated financial statements of the Group.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in Note 39 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 35 to the consolidated financial statements of the Group.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2019 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 2020

Environmental, Social and Governance Report

About This Report

Gemini Investments (Holdings) Limited ("**Gemini**" or the "**Company**", and together with its subsidiaries, "**We**", "**us**", "**Our**" or "**Our Group**") is pleased to present this Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**"), covering the period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**"). This report provides information regarding our approach, commitment as well as accomplishments on various ESG aspects covering different material topics, aiming to offer our stakeholders a complete picture of our performance in this respect.

The scope of this report, unless otherwise specified, covers the Group's 4 business segments, namely, investment in fund platform, property investment and development, fund investments and securities investment businesses, with operations in Hong Kong, China and the United States of America ("**US**"). The scope and entities subject to reporting are determined by considering their shares in the Group's revenue, as well as the significance of their operations, with the aim to reflect the majority of the Group's businesses that are deemed ESG material. Compared to last year, our property development project in the US completed the demolition stage and started construction phase.[1]

Regarding reporting standard, this report is prepared 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**"). This report, in its preparation, adhered to several principles including but not limited to:

Materiality: relevant and important information to stakeholders is covered in this report. Materiality assessment was conducted to assess the relative importance of the ESG topics identified.

Quantitative: quantitative information is provided, with narrative and comparative data where appropriate, to enable objective assessment of the Group's ESG performance by readers.

Consistency: ESG data presented in this report are prepared using consistent methodologies over time, unless otherwise specified (either in text or in footnote).

[1] Some environmental data for the property development project are not available and applicable due to reasons including difficulties in collection and immateriality, which will be further explained at relevant sections in this report.

Environmental, Social and Governance Report

ESG Aspiration

We recognize the importance of ESG issues to our business operations, and aspire to continuously enhance our operating efficiency with prudent policies and initiatives, so to make our business sustainable. With strong determination, we expect to gradually improve our overall ESG performance and exert greater positive influence to the community. In particular, to achieve our ESG aspiration, we focus on being a responsible service supplier, responsible employer and responsible corporate citizen:

Responsible service supplier
who puts customers' interests at heart of its business

Responsible employer
who cares for its employees' wellbeing and development

Responsible corporate citizen
who protects the environment and strives to improve social harmony

ESG Governance

We are committed to fulfilling stakeholders' expectations on our ESG performance, with sufficient and appropriate policies and initiatives implemented throughout our operations. The chart below shows our ESG governance structure.

The Board
Formulates ESG strategies, determines ESG risks, ensures effective risk management and internal control systems

Management
Executes ESG strategies, monitors ESG-related risks and internal controls; Incorporates ESG elements to business operations

Secretarial & Other Departments
Facilitate ESG reporting process, collect and report information

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. In addition, the Management is responsible for incorporating ESG elements into our business operations. The Management reports to the Board regularly on ESG issues, for the Board to review and make adjustments on the Group's ESG strategies accordingly. Meanwhile, the secretarial department of the Company works closely with other relevant departments to facilitate the ESG reporting process. Both the Board and the Management have to review the ESG Report so as to ascertain the information disclosed in the ESG Report.

As part of the Company's risk management and internal control systems, which covers ESG-related risks, a professional adviser has been engaged for annual assessment of our Group's internal controls so as to identify potential control deficiencies. The adviser will make improvement recommendations where necessary. Our Management has provided a confirmation to the Board on the effectiveness of our risk management and internal control systems.

Stakeholder Engagement

In order to achieve our ESG aspiration, it is essential for us to truly understand our stakeholders' concerns and expectations, and act accordingly in response. We have been constantly engaging our stakeholders, to receive feedback, reflect on it and provide updates. Both internal and external stakeholders are involved continuously throughout our day-to-day operations, with various channels deemed effective. The table below summarizes our major stakeholder groups that the Management considers will affect or will be impacted by the Company's ESG issues, and respective 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 Meetings
Government and Supervising Authorities	• Email and Phone Communications
Social Groups and Public	• Email and Phone Communications
Media	• Press Release

Stakeholder engagement is an enduring process. We will continue to involve our stakeholders in the future. Meanwhile, it is believed that this report serves as a valuable channel for us to address our stakeholders' concerns regarding our ESG and sustainability related practices.

Materiality Assessment

To determine the relative importance of different ESG issues related to our business operations, for reporting and strategy formulation purposes, we have conducted a materiality assessment exercise. The below chart shows the process of such assessment:

1 **Issue Identification**
Screen out the initial issues with reference to the ESG Reporting Guide of the Stock Exchange as well as input obtained during day-to-day communications with stakeholders

2 **Stakeholders Questionnaire**
Understand and analyse the issues of concern to stakeholders via questionnaires and interviews

3 **Materiality Ranking**
Prepare the ESG materiality ranking based on the results of the questionnaire

4 **Verification**
Confirm the material issues after verification by management and an external consultant

A total of 30 material issues were identified. Both internal and external stakeholders were then invited to complete a questionnaire for ranking the issues. The results are mapped into a materiality matrix shown below. Out of which 8 issues are classified as highly important, with a majority of them related to our aspiration of being a responsible employer; 16 issues are classified as important and the remaining 6 as partially important. The issue 'Biodiversity' is excluded from reporting due to immateriality after review by management.

Materiality Matrix

Material Issues

Responsible Employer		Responsible Service Supplier		Responsible Corporate Citizen	
1	Recruitment and Dismissal	10	Product Safety	16	Air Emission
2	Promotion and Compensation	11	Service Quality	17	Sewage
3	Working Hours and Holiday	12	Advertising and Labelling	18	Greenhouse Gas ("**GHG**") Emission
4	Employee Benefits and Welfare	13	Customer Data Privacy	19	Hazardous Waste
5	Equal Opportunity and Anti-discrimination	14	Supply Chain Management	20	Non-hazardous Waste
6	Diversity	15	Environmental and Social Practices of Suppliers/ Contractors	21	Use of Energy
7	Occupational Health and Safety			22	Use of Water Resources
8	Development and Training			23	Climate Change
9	Anti-Child and Forced Labour			24	Green Building
				25	Environmental Impact
				26	Biodiversity
				27	Noise Pollution
				28	Compliance
				29	Anti-corruption, Fraud and Money Laundering
				30	Community Investment

Environmental, Social and Governance Report

Responsible Employer

We aspire to be the choice of employer to our employees, both existing and potential. We recognize them as our valuable assets as we rely upon them to provide quality services and products. Thus, we take strong care of their wellbeing both at work and off work, to ensure that they have the required resources to perform their duties while maintaining a healthy balance with other aspects of life.

Occupational 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 issues 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 order to maintain 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 conditions in the workplace.

In parallel, we take the same precautions for our business operations in the US. Health and safety measures are in place to mitigate health and safety risks at construction site. A site safety manager is also onsite to support implementation of safety work practices. Our construction manager has 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.

Our construction manager has built its environmental, health & safety program covering

- Health & Safety Policy
- Standards of conduct
- Substance abuse test
- Crisis management
- Hazard communication

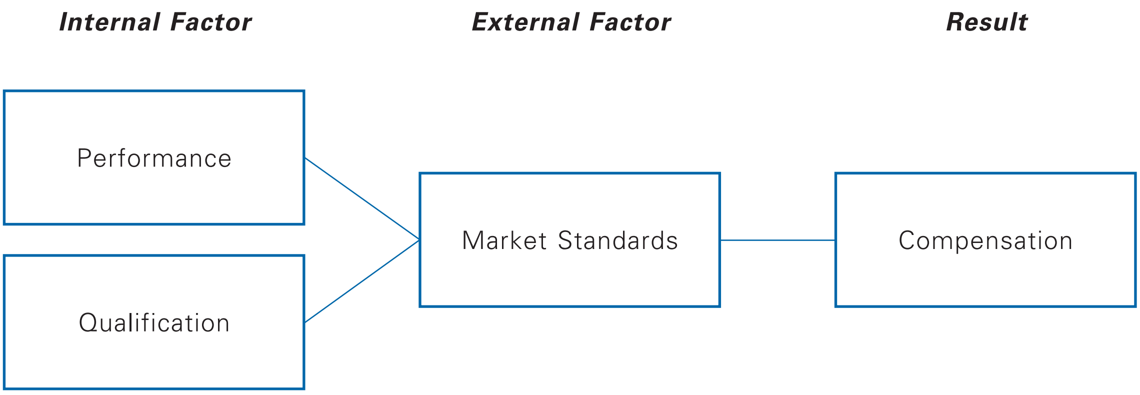
There was a non-compliance case noted in relation to health and safety laws and regulations during the Reporting Period. The instance was related to our property development project in the US, and a violation was issued by NYC Department of Buildings, where two excavators were equipped at site while the approved construction plan allowed only one. The violation was promptly resolved by our construction manager by submitting certificate of correction, and responsible personnel of our construction manager has performed constant review on site to ensure compliance. No such case was noted since then.

Compensation, Recruitment, Promotion, and Termination

We recognize our employees as our valuable assets. We constantly strive to attract and retain talents, 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 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. Such mechanism ensures employees are rewarded fairly according to their capabilities and external conditions. We strictly abide to 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 compliance with latest labour laws and regulations and the norms of the markets where our Group operates.

Compensation Determination Mechanism



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.

Development and Training

We acknowledge the importance of training for the personal and professional development of our employees, as well as maintaining and improving our Group's operations. Therefore, we strongly encourage and support our employees by sponsoring training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning, and on-the-job coaching. We expect that through these activities, our employees will acquire valuable knowledge and skills. We also provide reimbursement for external training courses which aim at enhancing their competencies in performing their jobs more effectively and efficiently. We believe this is a mutually beneficial practice for achieving both their personal goals and our corporate goals.

Environmental, Social and Governance Report

In terms of our property development project in the US, ample time has been dedicated to ensure that relevant personnel have the proper 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.

Employee Benefits, Welfare, Working Hours and Holiday

We provide various benefits to our employees including

- Meal subsidies
- Travel allowance
- Insurance policy
- Paid time off program

We appreciate the contributions of our employees to the Group's business development and are committed to improve their welfare in return. On top of basic monthly salary, a wide range of benefits are provided to employees as part of the employee benefits package, which are tailored to cater for the needs of employees in different operating regions. For our operations in Hong Kong, employees are entitled to enjoy daily meal subsidies under a designated budget, and an extra meal allowance when they have to work overtime after 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. at night. Notwithstanding the above, we do not require and encourage employees to work excessive overtime as we advocate work-life balance. Besides, employees can also benefit from the health insurance policy, compensation work injury insurance, and mandatory provident fund. For our operations in the US, our subsidiary has 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, parent who is under serious health condition. We also offer paid time off program, which increases flexibility in managing time off.

Furthermore, we understand the importance of maintaining work-life balance to the mental and physical health of our employees. As such, social and recreational activities are regularly arranged for the employees, with aims to relieve their pressure at work. In the long term, it will also enhance their work productivity and efficiency, making our operations more sustainable. During the Reporting Period, our Hong Kong offices have organized welcoming event for new joiners, helping them adapt to the new environment, as well as Christmas buffet and Chinese New Year luncheon inviting all staffs to celebrate the festive season. We also offer early release for staff on major festivals in Hong Kong. Social dinners are also put together to enhance their social bonding with each other.

Equal Opportunity, Diversity and Anti-Discrimination

We believe cultural and individual diversity fosters innovation and enhances productivity. Thus, we strongly advocate cultural diversity, value and respect individual differences. We aim at creating an inclusive workplace by adopting non-discriminatory hiring and employment practices, with the principle that no one should be treated less favourably because of 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 by experienced personnel through objective criteria.

Any forms of discrimination and harassment by any of our employees are strictly forbidden regardless of their seniority, as explicitly stated in our employee handbook. We take complaints in this regard seriously and will initiate investigation accordingly; employees found to have engaged in such unethical acts are subject to disciplinary actions. To ensure complaints are being dealt with fairly, consistently and efficiently, we have established 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 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.

Anti-child and Forced Labour

We prohibit the use of 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 legal working age as set by the local Labour Law should not be employed. We also avoid engaging vendors of administrative supplies and services, especially contractors that are known to employ child or forced labour in their operations. In the construction management agreement with our construction manager for our property development project in US, there contains specific language subjecting the agreement to be governed by the laws of the State of New York, providing an extra safeguard against the use of child or forced labour by contractors. In case such unethical labour practices are discovered, we require immediate corrective actions including dismissal of such labour with appropriate compensations.

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. Meanwhile, we regularly review our employment practices to ensure effective control measures are in place (e.g. identity and age verification process) to prevent child and forced labour.

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

Responsible Service Supplier

We aspire to be the trusted service supplier of our customers and generate long-lasting value for them. Customer satisfaction is one of the main assessment criteria when we evaluate our performance. Thus, we endeavour to act in a responsible manner when dealing with our clients, both existing and prospective, and when producing products and services. We are determined to treat our customers fairly, with fairly produced products and services.

During the Reporting Period, there were no non-compliance cases noted in relation to product and service responsibilities. Our practices on customer data privacy, product safety and service quality, advertising and labelling, as well as intellectual property right were strictly compliant with all relevant local laws and regulations.

Customer Data Privacy

We respect data privacy of our customers and take responsibilities in protecting our customers, both existing and prospective, in this respect. In our business operations, we maintain a high standard of security and confidentiality in handling the sensitive information we receive and possess, including but not limited to personal data and bank account information. With great prudence, we ensure strict compliance with relevant data privacy laws and regulations, such as 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 provide our employees with clear instructions and support them on customer data protection matter, we have established relevant policies and procedures on data collection, data usage, data transfer and data security, with fundamental principles as follows:

Data Collection	Data Usage	Data Transfer	Data Security
Collect customer data only when necessary for conducting business	Use customer data only for the purpose of collection unless new consent is obtained	Prohibit transfer or disclosure of customer data to other parties unless required by law or was previously notified	Maintain appropriate security systems and measures to prevent unauthorized access

Further, within our Group, access right to customer data is defined by departments, positions and projects, to ensure only relevant personnel can access to sensitive customer information.

Product Safety and Service Quality

We are 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 to govern different aspects of construction work including the construction work procedures, construction materials and quality of finished components. We are especially concerned with product safety issues of our properties, and we take responsibilities to ensure they are in good conditions before delivery to customers. Property development projects that fail to meet the standards will not be accepted by the Group. On top of strict enforcement, these standards have also been regularly reviewed to maintain awareness and conformance to national and local laws as well as voluntary codes.

Advertising and Labelling

We believe customer loyalty is the basis of long-term success of a corporate, where such loyalty is built through continuous, sincere and truthful interaction. Therefore, we adopt ethical sales and marketing practices with customers' interest at heart of the whole process. All information on our advertisements and labelling is reviewed before publication to ensure no false or misleading information is included. We strictly comply with relevant regulations and standards in this respect, and also require our property development agent to be compliant during the stage of property sales.

Intellectual Property Rights

We respect intellectual property rights. At corporate level, to protect our Group from potential harms due to abuse of intellectual property rights by other parties, we have registered our trademarks in different regions. Specific to our property development project, our agent has carefully negotiated with architects for an irrevocable license to use their design, including any elements and images. Meanwhile, we require our employees in all departments to avoid breaching intellectual property rights while performing job duties, for instance, when drafting documents.

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. Such high standard is also extended to management of our subcontractors, where our construction manager (representing our stake) for the property development project in the US has been involved in the process of subcontractor selection, at various points to ensure quality and efficiency.

Environmental and Social Performance of Suppliers

Further to product quality and pricing, ESG performance is one of the main evaluation criteria throughout our engagement with suppliers. Before initiating contractual relationship with suppliers, we evaluate their ESG performance. Using our property development project as an example, our construction manager has aligned with our values on ESG and established the environmental, health and safety program covering different environment and safety protocols including health and safety policy, standards of conduct and project site substance abuse test etc., to ensure construction work is carried out properly with satisfactory ESG performance. After completion of contract and delivery of products and services, we also take into account the ESG performance of suppliers for consideration of future cooperation opportunities. Such practices allow us to engage with environmentally and socially responsible suppliers. For instance, our construction manager has developed an environmental management plan to monitor waste, water quality, air quality and other related environmental controls set upon to its respective subcontractors.

With the mechanism stated above regarding supply chain management, we are confident in producing quality products and services in a responsible manner. We will continue to improve and extend our supply chain management practices for the purpose of effectively addressing environmental and social risks.

Responsible Corporate Citizen

We aspire to be a responsible corporate citizen in the community where we operate. While we have the mandate to generate profits for our stockholders, we also aim at providing positive values to community members so to achieve inclusive growth. As such, we endeavour to protect the environment, and support the social and economic development of our community.

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 (which will be addressed in the subsequent section) generated in our office and investment properties.

Regarding our property development project in the US, which was contracted to a construction manager, demolition was completed in 2018 with sign off by the NYC Building Department obtained, thus early phase of construction work started during the Reporting Period. Measures adopted to control air emissions include proper storage of dust generating materials and use of water sprinkler system to reduce blowing dust. As for water discharges, the foundations subcontractor employed a holding tank to treat and recycle water on site, in order to prevent site groundwater from being pumped into the city sewer system. As our Group has no direct control on the construction work, emission data from construction activities are not included in the scope of this report.

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

Greenhouse gas ("GHG") emission[1] (in tonnes CO2e)	**2019**	**2018**
Direct (Scope 1) Emissions	8.0	7.8
Direct (Scope 1) Emissions Intensity by Headcount[2]	0.3	0.4
Indirect (Scope 2) Emissions	27.8	32.4
Indirect (Scope 2) Emissions Intensity by Headcount	1.1	1.5
Other Indirect (Scope 3) Emissions	245.4	2.2
Other Indirect (Scope 3) Emissions Intensity by Headcount	9.4	0.1

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

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

Direct (Scope 1) GHG emissions were mainly resulted from the consumption of petrol by vehicle. Indirect (Scope 2) GHG emissions were mainly resulted from the consumption of electricity. Other Indirect (Scope 3) GHG emissions were mainly resulted from construction waste, with use of paper having a tiny amount contribution. While construction waste was not in scope in our 2018 ESG report, inclusion of it in calculation of GHG emissions for year 2019 led to a significant increase in Other Indirect (Scope 3) GHG emissions.

Despite having only minimal direct emissions, 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. In line with the Group's stance in this respect, our construction manager implemented different measures as mentioned above to ensure full compliance with applicable laws and regulations including the NYC Building Code.

Wastes

We uphold the principles of waste management. Practices established for proper handling and disposal of all wastes from our business activities comply with relevant laws and regulations, such as 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, in all material respects. There were no non-compliance cases noted in relation to environmental laws and regulations for the Reporting Period.

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

Office Non-hazardous Waste (in kg)	**2019**	**2018**
Total Disposal[1]	274	463
Total Recycling	320	416

1 The purchase quantity, excluding the amount recycled, of the above item by our Group during the Reporting Period is considered as the amount disposed.

Significant decrease in disposal of non-hazardous waste was seen during the Reporting Period, and total amount of non-hazardous waste recycled was also reduced.

We will continue to reduce, reuse and recycle throughout our operations to minimize the disposal of wastes to the landfill. Green office practices such as encouraging double-sided printing and copying and promoting the use of recycled papers are implemented to minimize the disposal of wastes. In addition, appropriate facilities such as recycling bins are provided in our offices to facilitate source separation and waste recycling. For our office in Manhattan co-working space, 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.

Regarding our property development project in the US, major construction wastes generated during the Reporting Period were earth, concrete, timber, debris and metal as below:

US Property Project Construction Waste (in tonnes)	**2019**
Earth	6,298
Concrete	188
Timber	161
Debris	56
Metal	12

Our construction manager has implemented a construction waste program to reduce and segregate wastes during the construction process. We have also hired a soil engineer consultant to test and characterize all soil being removed from the project site during the excavation and foundations period, in compliance with the requirements by the Resource Conservation and Recovery Act (RCRA) Regulations of the US in handling non-hazardous waste. Test results indicated that the soil was not hazardous for the parameters set forth by the U.S. Environmental Protection Agency (EPA) characteristics of hazardous waste (40CFR Part 261).

Use of Resources

We recognize the scarcity of resources and we are committed to conserve resources for environmental and operating efficiency purposes. We have implemented multiple measures to enhance energy efficiency, minimize the use of papers, reduce water consumption and drive 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 below.

During the Reporting Period, the types of energy we consumed directly for operations were mainly electricity and petrol:

Electricity (in kWh)	**2019**	**2018**
Consumption	34,762	41,045
Consumption Intensity by Headcount	1,337	1,955

Total electricity consumption across the Group in 2019 was 34,762 kWh, which was totally contributed by our Hong Kong offices. The decrease in total electricity consumption was partly due to the relocation of an office in Hong Kong (as the new office electricity is borne by the owner and thus is not subject to reporting here). The electricity consumed by our New York office is also borne by the co-working space owner, and therefore is not subject to reporting. As for our property development project in the US, only immaterial amount of electricity consumed during the Reporting Period, which was provided by neighbouring property for the purpose of safety lighting. As we have no direct control over the consumption of electricity used for construction, relevant data are not in the scope of this report.

Petrol (in litre)	**2019**	**2018**
Consumption	2,966	3,291
Consumption Intensity by Headcount	114	157

Consumption of petrol decreased by roughly 10% compared to year 2018. Such petrol consumption was contributed by Hong Kong office. As for other fuels, while our property development project in the US did use gasoline and diesel powered generators, vehicles and machinery, since construction work was planned and carried out by construction manager, we have no direct control over the consumption of these fuels during construction and thus relevant data are not in the scope of this report.

Our Group has executed various initiatives throughout our operations. For offices in Hong Kong, we have implemented 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 of Hong Kong. These initiatives successfully reduced electricity consumption from our business activities. Similarly, for our US operations, we sought to limit energy use during the construction period through deploying low energy-use LED fixtures for temporary lightings as possible. We have sought to design new buildings that will conserve energy through its lifecycle in meeting the requirements of the 2016 Energy Conservation Code.

Regarding the use of water, 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 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 results in water conservation. Meanwhile, the same set of measures applies to our US operations which meet the requirement of the Plumbing and NYC Water Conservation Code. As for our property development project in the US, due to lack of feasible and accurate means in monitoring and measuring water use, relevant data is not available in this Report.

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 construction activities are required to be performed during normal day time work hours (generally 7am to 5pm), in compliance with all the laws and ordinances of the NYC Construction Code. In event of construction activities needed outside of normal work hours, the construction manager will request for permit (After Hours Variance Permit) from the NYC Building Department and provide noise mitigation plan accordingly.

Safety: Temporary lights are also provided at all locations of the sidewalk bridging to ensure sufficient lighting.

Coordination with NYC Agencies: the Owner's Agent consults extensively with all City Agencies and requires all contractors to meet all agency requirements throughout the construction period.

Construction Pollution: The potential for construction pollution to the immediately adjacent sites and streets via dust, mud and debris is a noted concern. Our construction manager is required to fully address these issues, maintain a clean work site and meet all the requirements of the NYC Building Code which delineates requirements in specific details.

Climate Change

We recognize that climate change poses risks to our business operations, especially for our property development project in the US. Specific risks include potential flooding events, storm/high wind events and potential loss of electrical power. Each of these events has the potential for property damage, and injury to construction workers or the public. Measures to mitigate these risks are implemented in different phases of project development including building design, construction work planning and during construction to protect the properties and construction workers. For instance, to mitigate the potential impact of flooding, all new construction projects are designed to be above the flood plane; in response to potential storms/high wind events, façade engineers are hired to document project requirements for the façade of the building including wind loads and pressures.

Anti-Corruption, Fraud and Money Laundering

We aim to maintain the highest standards of openness, uprightness and accountability, and such high standards of ethical, personal and professional conduct are 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 in full 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 our 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.

Community Investment

As a responsible corporate citizen, we promote 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 align with our core values.

In addition, we fully support 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. Further, 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. For instance, the upcoming agenda for our staff in US includes taking part in an annual community service day that takes place during fall every year.

Content Index for HKEX ESG Reporting Guide

General Disclosures and KPIs	Reference (Page Number)	Remarks
Environmental		
Aspect A1: Emissions		
General Disclosure	Responsible Corporate Citizen (50-55)	
KPI A1.1	Responsible Corporate Citizen (50-55)	
KPI A1.2	Responsible Corporate Citizen (50-55)	
KPI A1.3	N/A	No significant hazardous waste produced
KPI A1.4	Responsible Corporate Citizen (50-55)	
KPI A1.5	Responsible Corporate Citizen (50-55)	
KPI A1.6	Responsible Corporate Citizen (50-55)	
Aspect A2: Use of Resources		
General Disclosure	Responsible Corporate Citizen (50-55)	
KPI A2.1	Responsible Corporate Citizen (50-55)	
KPI A2.2	N/A	Refer to explanation given in section Responsible Corporate Citizen (50-55)
KPI A2.3	Responsible Corporate Citizen (50-55)	
KPI A2.4	Responsible Corporate Citizen (50-55)	
KPI A2.5	N/A	Packaging material used is an immaterial issue to the Group
Aspect A3: The Environment and Natural Resources		
General Disclosure	Responsible Corporate Citizen (50-55)	
KPI A3.1	Responsible Corporate Citizen (50-55)	
Social		
Aspect B1: Employment		
General Disclosure	Responsible Employer (44-47)	
Aspect B2: Health and Safety		
General Disclosure	Responsible Employer (44-47)	
KPI B2.3	Responsible Employer (44-47)	
Aspect B3: Development and Training		
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Aspect B4: Labour Standards		
General Disclosure	Responsible Employer (44-47)	
KPI B4.1	Responsible Employer (44-47)	
KPI B4.2	Responsible Employer (44-47)	
Aspect B5: Supply Chain Management		
General Disclosure	Responsible Service Supplier (48-50)	

General Disclosures and KPIs	Reference (Page Number)	Remarks
Social		
Aspect B6: Product Responsibility		
General Disclosure	Responsible Service Supplier (48-50)	
KPI B6.3	Responsible Service Supplier (48-50)	
KPI B6.4	Responsible Service Supplier (48-50)	
KPI B6.5	Responsible Service Supplier (48-50)	
Aspect B7: Anti-corruption		
General Disclosure	Responsible Corporate Citizen (50-55)	
KPI B7.1	Responsible Corporate Citizen (50-55)	No such corruption-related legal cases concluded or noted during the Reporting Period
KPI B7.2	Responsible Corporate Citizen (50-55)	
Aspect B8: Community Investment		
General Disclosure	Responsible Corporate Citizen (50-55)	

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 2019 (the "**Year**"), the Company has complied with the applicable code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as and when they were/are in force, except for Code Provisions A.2.7 and E.1.2.

Code Provision A.2.7 requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without other Directors present. Although the Chairman did not hold a meeting with the independent non-executive Directors without the presence of other 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 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 15 April 2019.

BOARD OF DIRECTORS

Board composition

As at 31 December 2019, 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 and one annual general meeting (the "**AGM**" which was held on 15 April 2019) 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**
Directors		
Mr. LI Ming (NED) (Honorary Chairman)	0/4	0/1
Mr. SUM Pui Ying (ED) (Chief Executive Officer)	4/4	0/1
Mr. LAI Kwok Hung, Alex (ED)	4/4	1/1
Mr. LI Hongbo (NED)	3/4	0/1
Mr. TANG Runjiang (NED)	4/4	1/1
Mr. LAW Tze Lun (INED)	4/4	1/1
Mr. LO Woon Bor, Henry (INED)	4/4	1/1
Ms. CHEN Yingshun (INED)	4/4	1/1

Notes:

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

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

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

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

Roles and responsibilities

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

— provide entrepreneurial leadership for the Company with a framework of prudent and effective controls which enable risks to be assessed and managed;

— set the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review its management performance; and

— set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

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

Division of responsibilities between the Board and management

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

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

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

Training

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

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

Directors	Type of trainings(note 1)
Mr. LI Ming	a, b
Mr. SUM Pui Ying	a, b
Mr. LAI Kwok Hung, Alex	a, b
Mr. LI Hongbo	a, b
Mr. TANG Runjiang	a, b
Mr. LAW Tze Lun	a, b
Mr. LO Woon Bor, Henry	a, b
Ms. CHEN Yingshun	a, b

Note 1:

a. attending seminar or training session

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

Directors' and officers' liability insurance and indemnity

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

Independent advice

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

Independence of Non-Executive Directors

The independent non-executive Directors were considered to be independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Company has received a written confirmation of independence from each of the independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. Also, the three independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management.

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 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 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 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. 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 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. 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 2020, 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.

The current service contract of Mr. TANG Runjiang as a non-executive Director has a term of 1 year commencing from 1 March 2020, 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 2020, 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 as independent non-executive Director renewed her appointment letter with the Company for a term of 1 year commencing from 21 April 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 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. SUM Pui Ying, Mr. LI Hongbo and Mr. TANG Runjiang, being three of the Directors who have been longest in office since their last election, will retire from office of the Board by rotation at the forthcoming AGM and offer themselves for re-election.

BOARD COMMITTEES

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

Board Committee	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	C	—
Mr. SUM Pui Ying (ED)	—	—	M	C
Mr. LAI Kwok Hung, Alex (ED)	—	—	—	M
Mr. LAW Tze Lun (INED)	C	C	M	M
Mr. LO Woon Bor, Henry (INED)	M	M	M	—
Ms. CHEN Yingshun (INED)	M	M	M	—

Notes:

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

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

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

	Number of meeting attended/held			
Board Committee	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Investment Committee**
Directors				
Mr. LI Ming (NED)	—	—	0/1	—
Mr. SUM Pui Ying (ED)	—	—	1/1	1/1
Mr. LAI Kwok Hung, Alex (ED)	—	—	—	1/1
Mr. LAW Tze Lun (INED)	2/2	1/1	1/1	1/1
Mr. LO Woon Bor, Henry (INED)	2/2	1/1	1/1	—
Ms. CHEN Yingshun (INED)	2/2	1/1	1/1	—

Nomination Committee

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

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 the 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.. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make 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.

In case of re-appointments of members of the Board at general meetings of the Company, the Nomination Committee will review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board, as well as whether the retiring Director continues to meet the nomination and appointment criteria as set out in the director nomination policy of the Company, prior to making recommendations to the Board for its consideration and recommendations to the shareholders of the Company.

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 15 April 2019;

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

(d) 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, 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.

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. The Nomination Committee will discuss and where necessary, agree on the measureable objectives for achieving diversity on the Board and make recommendation to 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 75 to 80 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 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 2019. 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.

DIVIDEND POLICY

The Company has adopted a written dividend policy setting out the principles for the Board to determine the appropriate amount of dividend to be distributed. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth of the Group as well as its shareholders' value. Subject to dividends payable on the outstanding convertible preference shares of the Company, the Company intends to distribute no less than 30% of its annual consolidated net profits attributable to the owners of the Company as dividends to its shareholders subject to and after taking into consideration of the factors stated in the dividend policy including, inter alia, (i) general financial conditions and financial results; (ii) liquidity position and cash flow situation; (iii) business conditions and strategies; (iv) current and future operations and earnings; (v) capital requirements and expenditure plans; and (vi) any legal restrictions on payment of dividends. The declaration of dividends or recommendation on such payment shall be subject to compliance with all applicable laws and regulations and the Articles of Association of the Company.

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.
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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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for the preparation of the financial statements of the Company for each financial year, which should give a true and fair view of the state of affairs, results and cash flow of the Group for that year in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the Year, the Directors adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations.

The financial statements for the Year have been prepared by the Directors on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the external auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "Independent Auditor's Report" on pages 75 to 80 in this annual report.

Auditors' Remuneration

The Board, based on the recommendation of the Audit Committee, approved the appointment of BDO Limited ("**BDO**") as the Group's external auditor to perform audit services for the Group for the Year. During the Year, total fees paid to BDO amounted to HK$3,374,000, of which HK$1,380,000, or approximately 40.9%, was fee for non-audit services relating to the review of interim financial information for the six months ended 30 June 2019.

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.

Independent Auditor's Report

BDO

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永安中心25樓

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 81 to 193, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 18 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 2019 was HK$1,150,000 and the Group's share of Gemini-Rosemont's net assets was HK$861,678,000 as at 31 December 2019.

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 held 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 19(c)(iv) & (v) and 41(h) to the consolidated financial statements)

The Group held several unlisted investments designated on a combination of market observable inputs and valuation technique.

The Group's fair value measurement of the financial assets arising from the unobservable inputs used in determining the fair value of the unlisted equity investments under Level 3 of fair value hierarchy.

As at 31 December 2019, the Group held several unlisted fund investments with aggregate value of HK$1,794,562,000, representing 25.6% of the Group's total assets as at 31 December 2019.

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 assumption.

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
- Reviewing 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 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Sales proceeds from disposal of financial instruments held for trading	4	**651,113**	606,845
Revenue	5	**115,499**	189,815
Other income	6	**35,961**	37,047
Employee costs		**(25,542)**	(26,479)
Depreciation	17	**(3,231)**	(1,943)
Other expenses	7	**(102,973)**	(84,124)
Loss arising from changes in fair value of financial instruments held for trading		**(4,270)**	(43,195)
Gain/(loss) arising from changes in fair value of financial assets at fair value through profit or loss		**23,217**	(65,222)
Gain on the bargaining purchase		**—**	9,516
(Loss)/gain arising from changes in fair value of investment properties	16	**(14,289)**	62,893
Provision for impairment loss on financial assets		**(58,659)**	(537)
Share of results of joint ventures	18	**(1,150)**	(2,808)
Finance costs	9	**(17,211)**	(31,566)
(Loss)/profit before income tax	10	**(52,648)**	43,397
Income tax credit/(expense)	11	**687**	(12,664)
(Loss)/profit for the year		**(51,961)**	30,733
(Loss)/profit for the year attributable to:			
Owners of the Company		**(94,713)**	12,229
Non-controlling interests		**42,752**	18,504
		(51,961)	30,733
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company	14		
— basic (HK dollar)		**(0.21)**	0.03
— diluted (HK dollar)		**(0.21)**	0.01

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year	**(51,961)**	30,733
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(8,042)**	2,123
Item that will not be reclassified to profit or loss		
Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties	**20,256**	—
Other comprehensive income for the year	**12,214**	2,123
Total comprehensive income for the year	**(39,747)**	32,856
Total comprehensive income attributable to:		
Owners of the Company	**(82,499)**	14,352
Non-controlling interests	**42,752**	18,504
	(39,747)	32,856

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	16	**1,522,774**	1,469,245
Property, plant and equipment	17	**11,423**	56,233
Interests in joint ventures	18	**861,678**	858,618
Financial assets at fair value through profit or loss	19	**2,221,354**	2,199,672
Loan receivables	20	**37,674**	413,940
Restricted bank deposits	23	**1,486**	40,833
Deferred tax assets	31	**9,722**	315
		4,666,111	5,038,856
Current assets			
Deposits, prepayments and other receivables		**46,618**	34,645
Properties under development	21	**685,918**	479,538
Loan receivables	20	**335,735**	20,585
Financial instruments held for trading	22	**286,286**	170,884
Restricted bank deposits	23	**7,070**	8,387
Cash and bank balances	24	**975,181**	816,569
		2,336,808	1,530,608
Current liabilities			
Other payables and accrued charges		**61,386**	87,894
Financial instruments held for trading	22	**—**	401
Amount due to an intermediate holding company	25	**491,758**	226,954
Taxation payable		**2,005**	1,507
Borrowings	26	**246,486**	87
		801,635	316,843
Net current assets		**1,535,173**	1,213,765
Total assets less current liabilities		**6,201,284**	6,252,621

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	27	**185,453**	185,453
Reserves	28	**5,260,630**	5,343,581
Equity attributable to owners of the Company		**5,446,083**	5,529,034
Non-controlling interests	36	**300,764**	276,831
Total equity		**5,746,847**	5,805,865
Non-current Liabilities			
Borrowings	26	**426,094**	425,533
Deferred tax liabilities	31	**28,343**	21,223
		454,437	446,756
Total equity and non-current liabilities		**6,201,284**	6,252,621

The financial statement on pages 81 to 193 were approved and authorised for issue by the Board of Directors on 28 February 2020 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 2019

	Share capital (Note 27)	Convertible preference shares reserve (Note 29)	Perpetual bond (Note 30)	Capital contribution reserve	Share option reserve	Revaluation surplus reserve	Translation reserve	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
Balance at 1 January 2019	185,453	2,355,533	2,259,504	308,190	22,336	–	19,969	378,049	5,529,034	276,831	5,805,865
Other comprehensive income											
— Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(8,042)	–	(8,042)	–	(8,042)
— Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties	–	–	–	–	–	20,256	–	–	20,256	–	20,256
(Loss)/profit for the year	–	–	–	–	–	–	–	(94,713)	(94,713)	42,752	(51,961)
Total comprehensive income for the year	–	–	–	–	–	20,256	(8,042)	(94,713)	(82,499)	42,752	(39,747)
Distribution paid to the holder of perpetual bond	–	–	–	–	–	–	–	(452)	(452)	–	(452)
Distribution paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(18,819)	(18,819)
Balance at 31 December 2019	185,453	2,355,533	2,259,504	308,190	22,336	20,256	11,927	282,884	5,446,083	300,764	5,746,847

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital (Note 27)	Convertible preference shares reserve (Note 29)	Perpetual bond (Note 30)	Capital contribution reserve	Capital reduction reserve	Share option reserve	Available-for-sale financial assets reserve	Other reserve	Translation reserve	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 upon adoption of HKFRS 9 at 1 January 2018	—	—	—	—	—	—	(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	—	—	—	—	—	—	—	—	—	—	—	278,567	278,567
Exercise of share option	572	—	—	—	—	(188)	—	—	—	—	384	—	384
Vested share options forfeited	—	—	—	—	—	(824)	—	—	—	824	—	—	—
Distribution paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(20,240)	(20,240)
Capital reduction (Note 29)	—	(129,957)	—	—	129,957	—	—	—	—	—	—	—	—
Equity extinguished to liability (Note 29)	—	(610,399)	—	—	—	—	—	533,098	—	—	(77,301)	—	(77,301)
Reclassify convertible preference shares from liability to equity (Note 29)	—	608,720	—	—	—	—	—	(533,098)	—	—	75,622	—	75,622
Transfer arising from capital reduction (Note 29)	—	—	—	—	(129,957)	—	—	—	—	129,957	—	—	—
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 2019

	2019	2018
	HK$'000	HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(52,648)**	43,397
Adjustments for:		
Depreciation	**3,231**	1,943
Loss arising from changes in fair value of financial instruments held for trading	**4,270**	43,195
(Gain)/loss arising from changes in fair value of financial assets at fair value through profit or loss	**(23,217)**	65,222
Loss/(gain) arising from changes in fair value of investment properties	**14,289**	(62,893)
Gain arising from changes in fair value of convertible preference shares	**—**	(1,679)
Gain on the bargaining purchase	**—**	(9,516)
Loss on disposal of financial assets at fair value through profit or loss	**685**	—
Loss on disposal of investment properties	**—**	1,168
Loss arising from lease modification	**7**	—
Provision for impairment loss for financial assets	**58,659**	537
Share of results of joint ventures	**1,150**	2,808
Finance costs	**17,211**	31,566
Interest income from bank deposits	**(9,955)**	(8,732)
Other interest income	**(25,552)**	(25,567)
Operating (losses)/profits before working capital changes	**(11,870)**	81,449
Increase in deposits, prepayments and other receivables	**(12,028)**	(1,492)
Increase in properties under development	**(201,720)**	(36,676)
Decrease in restricted bank deposits	**40,664**	20,699
(Increase)/decrease in financial instruments held for trading	**(120,074)**	54,108
(Decrease)/increase in other payables and accrued charges	**(27,280)**	482
Cash generated (used in)/from operations	**(332,308)**	118,570
Income tax paid	**(4,972)**	(53,565)
Net cash generated (used in)/from operating activities	**(337,280)**	65,005

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,791)**	(1,057)
Consideration paid for additions to investment properties	**—**	(41,861)
Consideration received from 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	**(1,650)**	—
Redemption of financial assets at fair value through profit or loss	**255**	429
Proceeds from disposal of financial assets at fair value through profit or loss	**2,227**	3,451
Distribution from joint venture	**—**	153,826
Increase in bank deposit with original maturity over three months	**—**	50,225
Interest received	**35,507**	34,299
Net cash generated from investing activities	**34,548**	161,325
Cash flows from financing activities		
New bank borrowings	**241,423**	—
Distribution paid to non-controlling interests	**(18,819)**	(20,420)
Distribution paid to the holder of perpetual bond	**(452)**	—
Payment of interest element of lease liabilities	**(881)**	—
Payment of principal element of lease liabilities	**(2,392)**	—
Repayment of bank borrowings	**—**	(500,000)
Repayment of obligation under finance lease	**—**	(116)
Interest paid	**(20,218)**	(28,360)
Exercise of share option	**—**	384
Increase/(decrease) in amount due to an intermediate holding company	**264,804**	(325,721)
Net cash generated from/(used in) financing activities	**463,465**	(874,233)
Net increase/(decrease) in cash and cash equivalents	**160,733**	(647,903)
Cash and cash equivalents at beginning of the year	**816,569**	1,464,603
Effect of foreign exchange rate changes	**(2,121)**	(131)
Cash and cash equivalents at end of the year	**975,181**	816,569
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**975,181**	816,569

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 39 and 18 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 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
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

Except the adoption of HKFRS 16 *Leases* ("HKFRS 16") which have been summarised in below, the other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policy.

(i) Impact of the adoption of HKFRS 16

The impact of the adoption of HKFRS 16 have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(Continued)*

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, refer to Notes (ii) to (v) below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on the Group's statement of financial position as of 31 December 2018 to that as of 1 January 2019:

	1 January 2019
	HK$'000
Right-of-use assets presented in "Property, plant and equipment"	
— Land and buildings	**1,065**
— Furniture, fixtures and equipment*	**300**
Lease liabilities presented in "Borrowings"	**1,365**

* At 31 December 2018, the net book value of an office equipment held under finance lease of the Group amounted to approximately HK$300,000 was classified as right-of-use assets upon the adoption of HKFRS 16.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(Continued)*

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	1 January 2019
	HK$'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	**5,106**
Discounted using the incremental borrowing rate at 1 January 2019	**4,204**
Obligation under finance lease recognised as at 31 December 2018	**293**
Recognition exemption for leases with less than 12 months of lease term at transition	**(3,132)**
Lease liabilities recognised at 1 January 2019	**1,365**

The weighted average lessee's incremental borrowing rate of 5.2% was applied to the Group's lease liabilities recognised in the statement of financial position as at 1 January 2019.

Apart from the above, leasehold land and building of the Group which is held for own use amounted to approximately HK$55,034,000 was classified as right-of-use assets upon the adoption of HKFRS 16. It would continue to be accounted for under HKAS 16 *Property, Plant and Equipment* ("HKAS 16") and carried at cost less accumulated depreciation.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(Continued)*

(ii) The new definition of a lease (Continued)

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases (lease term of 12 months or less) and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(Continued)*

(iii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the leasehold land and buildings of the Group that are held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 *Investment Property* ("HKAS 40") and carried at fair value. For leasehold land and buildings which are held for own use would continue to be accounted for under HKAS 16 and carried at cost less accumulated depreciation. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(Continued)*

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40 to account for all of its investment properties as at 31 December 2018. These investment properties continue to be carried at fair value.

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(Continued)*

(v) Transition (Continued)

The Group has recognised the lease liabilities on 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application at 1 January 2019; accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases; and (v) relied on its assessments of whether lease were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to perform an impairment review.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased certain office equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-to-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and obligation under finance lease under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

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

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

The following new/revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[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]

1 Effective for annual periods beginning on or after 1 January 2020
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 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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 above new/revised HKFRSs that have been issued but not effective are unlikely to have material impact on the Group's consolidated results and consolidated financial statements upon application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements on pages 81 to 193 have been prepared in accordance with all applicable, HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the Hong Kong Financial Reporting Standards) 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 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 42.

(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.

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

(b) Basis of consolidation *(Continued)*

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

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(c) Subsidiaries

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

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

(d) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding amounts collected on behalf of third parties and is after deduction of any trade discount.

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.

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

(d) Revenue recognition *(Continued)*

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 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.

(e) Investment properties

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

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

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

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

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

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

Before application of HKFRS 16, 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.

The accounting policy of right-of-use assets is set out in Note 3(m).

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

(h) Impairment of tangible assets

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

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

(i) Joint arrangements

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

The Group classifies its interests in joint arrangements either as

- *Joint ventures:* where the Group has rights to the net assets of the joint arrangement; or

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

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

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

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

(i) Joint arrangements *(Continued)*

- 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) Financial instruments

(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

— 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.

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

(j) Financial instruments *(Continued)*

(i) Financial assets (Continued)

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:

— 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.

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

(j) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Measurement (Continued)

Debt instruments *(Continued)*

— 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) Financial instruments *(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 loss of financial assets

The Group assesses on a forward looking basis the expected credit losses (the "ECLs") associated with its debt instruments carried at amortised cost (including rental receivables, other receivables and deposits, loan receivables, restricted bank deposits and cash and bank balances) and measured at fair value through other comprehensive income.

ECLs 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 ECLs is the maximum contractual period over which the entity is exposed to credit risk.

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

(j) Financial instruments *(Continued)*

(ii) Impairment loss of financial assets (Continued)

ECLs 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 ECLs 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 ECLs. ECLs on trade 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 ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

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 ECLs, 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 and rental 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.

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

(j) Financial instruments *(Continued)*

(ii) Impairment loss of financial assets (Continued)

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 ECLs 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.

(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 or financial assets and 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.

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

(j) Financial instruments *(Continued)*

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including, other payables and accruals, amounts due to intermediate holding company and subsidiaries and 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).

The accounting policy of lease liabilities is set out in Note 3(m).

(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.

(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 ECLs 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*.

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

(j) Financial instruments *(Continued)*

(vi) Financial guarantee contracts (Continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount of the guarantees. To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECLs is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECLs 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.

(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.

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

(k) Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

(l) Taxation

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

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

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

(l) Taxation *(Continued)*

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40. 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 the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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

(m) Leasing

Leasing (accounting policies applied from 1 January 2019)

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

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

(m) Leasing *(Continued)*

Leasing (accounting policies applied from 1 January 2019) (Continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

(m) Leasing *(Continued)*

Leasing (accounting policies applied from 1 January 2019) (Continued)

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. 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.

When the Group acts as an intermediate lessor in a sublease arrangement, the group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

Leasing (accounting policies applied until 31 December 2018)

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

The Group as lessor

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

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

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

(m) Leasing *(Continued)*

Leasing (accounting policies applied until 31 December 2018) (Continued)

The Group as lessee

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

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

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

(n) Borrowing costs

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

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

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

(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.

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.

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

(p) Foreign currencies *(Continued)*

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.

(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 the 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.

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

(r) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

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.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(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.

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

(s) Related parties *(Continued)*

(b) *(Continued)*

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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

The sales proceeds of the financial instruments held for trading by the Group (Note 22) disposed of during the years ended 31 December 2019 and 2018 amounted to approximately HK$651,113,000 and HK$606,845,000 respectively.

The changes in fair value of financial instruments held for trading by the Group throughout the years of 2019 and 2018, 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.

5. SEGMENT INFORMATION

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

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

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, 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 the income generated from 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 segments.

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2019

	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	78,758	34,855	3	652,996	–	766,612
Less: Sales proceeds from disposal of financial instruments held for trading	–	–	–	(651,113)	–	(651,113)
Less: Inter-segment sales	–	–	–	4,704	(4,704)	–
Revenue as presented in consolidated income statement	78,758	34,855	3	6,587	(4,704)	115,499
Segment results	18,716	(13,255)	23,303	(9,852)		18,912
Interest income from bank deposits						9,955
Depreciation of property, plant and equipment (excluding right-of-use assets)						(794)
Depreciation of right-of-use assets						(2,437)
Rental expenses on short term leases						(3,854)
Finance costs						(17,211)
Unallocated corporate expenses						(57,219)
Loss before income tax						(52,648)

5. 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
Depreciation						(1,943)
Rental expenses on operating leases						(5,920)
Finance costs						(31,566)
Unallocated corporate expenses						(49,108)
Profit before income tax						43,397

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, depreciation, rental expenses on short term leases/operating leases, unallocated corporate expenses (including central administration and staff costs and directors' remuneration) and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION *(Continued)*

(a) Segment assets and liabilities

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

	2019	2018
	HK$'000	HK$'000
Assets		
Segment assets		
— Investment in fund platform	**2,103,398**	2,158,932
— Property investment and development	**1,583,259**	1,294,278
— Fund investments	**2,215,674**	2,194,105
— Securities and other investments	**811,217**	811,842
Unallocated assets	**289,371**	110,307
Consolidated total assets	**7,002,919**	6,569,464
Liabilities		
Segment liabilities		
— Investment in fund platform	**455,638**	487,791
— Property investment and development	**6,396**	13,185
— Fund investments	**268**	158
— Securities and other investments	**190**	498
Unallocated liabilities	**793,580**	261,967
Consolidated total liabilities	**1,256,072**	763,599

Segment assets include all assets are allocated to operating segments other than unallocated property, plant and equipment, unallocated deposits, prepayments and other receivables, certain short-term bank deposits together with certain 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, certain borrowings, amount due to an intermediate holding company and unallocated other payables.

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

5. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2019

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	861,678	–	–	–	861,678
Gain/(loss) arising from changes in fair value of investment properties	2,343	(16,632)	–	–	(14,289)
Loss arising from changes in fair value of financial instruments held for trading	–	–	–	(4,270)	(4,270)
Gain/(loss) arising from changes in fair value of financial assets at fair value through profit or loss	–	–	23,789	(572)	23,217
Provision for impairment loss on financial assets	(58,655)	(4)	–	–	(58,659)
Share of results of joint ventures	(1,150)	–	–	–	(1,150)

5. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2018

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	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 for impairment loss on financial assets	(540)	3	—	—	(537)
Share of results of joint ventures	(2,808)	—	—	—	(2,808)

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

The Group's revenue (excluded inter-segment sales) and its non-current assets, other than financial instruments and deferred tax assets by geographical location of the assets regarding its operations are detailed below:

	Revenue (excluded inter-segment sales)		Non-current assets other than financial instruments and deferred tax assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**11,761**	10,375	**470,970**	445,118
The U.S.	**103,612**	85,365	**1,924,903**	1,938,977
Australia	**—**	9,277	**—**	—
The PRC	**126**	—	**2**	1
Others	**—**	84,798	**—**	—
	115,499	189,815	**2,395,875**	2,384,096

(c) Information about major customers

For the year ended 31 December 2019, there was revenue received from a tenant generated from the Group's investment in fund platform segment, whom contributed approximately HK$78,758,000, represented approximately 68% of the Group's total revenue.

For the year ended 31 December 2018, there was 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.

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**9,955**	8,732
Other interest income	**25,552**	25,567
Gain arising from change in fair value of convertible preference shares	**—**	1,679
Others	**454**	1,069
	35,961	37,047

7. OTHER EXPENSES

	2019 HK$'000	2018 HK$'000
Direct operating expenses in respect of investment properties	**43,861**	35,347
Auditor's remuneration	**3,687**	4,202
Rental expenses on operating leases	**—**	5,920
Rental expenses on short term leases	**3,854**	—
General administrative and office expenses	**18,794**	17,974
Others	**32,777**	20,681
	102,973	84,124

8. SHARE-BASED COMPENSATION

Equity-settled share option scheme of the Company:

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

Details of specific categories of options are as follows:

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

No share-based compensation was recognised by the Group and the Company for the years ended 31 December 2019 and 2018.

At 31 December 2019, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 34,510,000 (2018: 34,510,000), representing 7.65% (2018: 7.65%) of the shares of the Company in issue at that date.

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

8. SHARE-BASED COMPENSATION *(Continued)*

Movements in share options are as follows:

	2019		2018	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		HK$		HK$
Outstanding at 1 January	**34,510,000**	**1.02**	36,510,000	1.03
Exercised	**—**	**—**	(400,000)	0.96
Forfeited	**—**	**—**	(1,600,000)	—
Outstanding at 31 December	**34,510,000**	**1.02**	34,510,000	1.02
Exercisable at 31 December	**34,510,000**	**1.02**	34,510,000	1.02

The weighted average remaining contractual life of the share options outstanding at 31 December 2019 was approximately 1.47 years (2018: 2.47 years).

The fair value was calculated using the Binomial model.

9. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank and other borrowings	**20,643**	27,726
Interest expense on lease liabilities	**881**	—
Amortisation of arrangement fee	**—**	3,333
Others	**347**	507
Less: Amount capitalised (Note)	**(4,660)**	—
	17,211	31,566

Note: Borrowing costs have been capitalised during the year at various applicable rates ranging from 4.5% to 5.2% per annum and included in properties under development (Note 21).

10. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2019	2018
	HK$'000	HK$'000
Auditor's remuneration		
— current year	**2,955**	3,492
— under-provision in the prior year	**732**	710
	3,687	4,202
Gross rental income from investment properties	**(113,612)**	(93,131)
Direct operating expenses arising from investment properties that generate rental income	**43,851**	35,137
Direct operating expenses arising from investment properties that did not generate rental income	**10**	210
	(69,751)	(57,784)
Dividend income from financial instruments held for trading	**(1,886)**	(2,696)
Net foreign exchange loss/(gain)	**9,438**	(4,578)
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	**1,204**	1,081
Loss arising from lease modification	**7**	—

11. INCOME TAX CREDIT/(EXPENSE)

	2019 HK$'000	2018 HK$'000
The taxation attributable to the Group's operation comprises:		
Current tax — Hong Kong Profits Tax		
Provision for the year	**233**	271
Over-provision in respect of prior years	**—**	(84)
	233	187
Current tax — Overseas tax		
Provision for the year	**1,287**	6,083
Deferred tax (Note 31)	**(2,207)**	6,394
Income tax (credit)/expense	**(687)**	12,664

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year (2018: 16.5%).

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.

All of the Group's PRC subsidiaries are subject to PRC Enterprise Income Tax rate of 25% for the year (2018: 25%). No PRC Enterprise Income Tax was provided for the years ended 31 December 2019 and 2018 as there were no assessable income for both years.

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

11. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
(Loss)/profit before income tax	**(52,648)**	43,397
Tax calculated at the income tax rate applicable to (loss)/profit in the respective jurisdictions	**(23,300)**	9,794
Tax effect of expenses not deductible for tax purpose	**23,238**	14,445
Tax effect of income not taxable for tax purpose	**(19,929)**	(32,876)
Tax effect of share of results of joint ventures	**8,154**	5,159
Tax effect of unrecognised tax losses	**5,713**	11,871
Tax effect on temporary difference not recognised	**(1,681)**	(1,551)
Others	**(110)**	(1,332)
Over-provision in respect of prior years	**—**	(84)
Withholding tax	**7,228**	7,238
Income tax (credit)/expense	**(687)**	12,664

12. 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^Δ	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
2019											
Fees	–	180	180	180	180	180	180	180	–	–	1,260
Other emoluments											
– Salaries and other benefits	30	30	1,560	30	30	30	30	30	–	–	1,770
– Contributions to retirement benefits schemes	–	–	149	–	–	–	–	–	–	–	149
Total emoluments	30	210	1,889	210	210	210	210	210	–	–	3,179
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

Δ 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 2019 and 2018.

b) No emoluments were paid by the Group to the directors 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 2019 and 2018.

13. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals for the year include one (2018: one) director whose emolument is reflected in Note 12 above. The emoluments of the remaining four (2018: four) highest paid individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**3,899**	3,594
Contributions to retirement benefits schemes	**296**	347
	4,195	3,941

Their emoluments were within the following bands:

	2019	2018
	No. of employees	No. of employees
HK$1,000,001 to HK$1,500,000	**2**	—
Nil to HK$1,000,000	**2**	4

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

	2019	2018
	No. of individuals	No. of individuals
HK$1,000,001 to HK$1,500,000	**3**	—
Nil to HK$1,000,000	**3**	6

Note:

Except for an emolument of approximately HK$331,000 was paid to one of the five highest paid individual (employee) as a compensation of loss of office during the year ended 31 December 2019, no emoluments were paid by the Group to the five highest paid individuals 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 2019 and 2018.

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$94,713,000 (2018: profit of approximately HK$12,229,000) and the weighted average number of ordinary shares of 451,390,000 (2018: 451,237,000) in issue during the year.

(b) Diluted earnings per share

No adjustment has been made to basis loss per share amount presented for the year ended 31 December 2019 in respect of a dilution as the impact of share options and convertible preference shares outstanding, had an anti-dilutive on the basis loss per share amount presented.

For the year ended 31 December 2018, the calculation of the diluted earnings per share 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.

14. (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

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 anti-diluted earnings per share calculation	743,107,000

15. DIVIDENDS

No dividend was paid or proposed in respect of the convertible preference shares and the ordinary shares of the Company during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

16. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2019	2018
	HK$'000	HK$'000
Properties in Hong Kong	460,200	388,930
Properties in the U.S.	1,062,574	1,080,315
	1,522,774	1,469,245

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.

As at 31 December 2019 and 2018, the fair values of the Group's investment properties, comprising office premises, residential properties and carparking space which located in Hong Kong and the U.S. as at 31 December 2019 and 2018 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 loss arising from changes in fair value of approximately HK$14,289,000 (2018: net gain of approximately HK$62,893,000) which has been recognised in profit or loss. 87% (2018: 91%) of the investment properties of the Group were rented out under operating leases as at 31 December 2019.

As at 31 December 2019, investment properties in the U.S. of approximately HK$717,261,000 (2018: approximately HK$719,061,000) were pledged as collateral for bank borrowing of approximately HK$422,880,000 (2018: approximately HK$425,327,000) as disclosed in Note 26(b).

(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 summarised below.

	2019	2018
	HK$'000	HK$'000
At the beginning of the year	1,469,245	721,212
Additions	—	749,113
Transfer from/(to) owner-occupied property (Note 17)	74,000	(55,318)
Disposals	—	(10,276)
(Loss)/gain on revaluation of investment properties	(14,289)	62,893
Exchange realignment	(6,182)	1,621
At the end of the year	1,522,774	1,469,245

16. INVESTMENT PROPERTIES *(Continued)*

(b) *(Continued)*

Note:

During the year ended 31 December 2019, the Group reclassified one of its owner-occupied office in Hong Kong with net book value of approximately HK$53,744,000 as an investment property. As a result, gain on revaluation of properties of approximately HK$20,256,000 was recognised in other comprehensive income upon transfer of property, plant and equipment to investment properties.

Office premises, residential properties and carparking space 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 quality and location of the properties.

The fair values 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 result 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

16. 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 2019

Properties and location	Fair value as at 31 December 2019 HK$'000	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable inputs to fair value
Office premises situated in Hong Kong	428,900	Income capitalisation approach	Estimated rental value	HK$57 — HK$65 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.6% — 3.1%	The higher the discount rate, the lower the fair value
Residential properties and carparking space situated in Hong Kong	31,300	Income capitalisation approach	Estimated rental value	HK$19 — HK$20 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.	179,432	Market comparison approach	Premium or discount for quality of properties (e.g. view, level and condition of the residential properties)	-6.0% — 1.0%	The higher the quality of properties with reference to comparables, the higher the fair value
Office building situated in the U.S.	883,142	Market comparison approach	Premium or discount for quality of properties (e.g. location, size and condition of the office building)	-20% — 17%	The higher the quality of properties with reference to comparables, the higher the fair value

16. INVESTMENT PROPERTIES *(Continued)*

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	Relationship of unobservable inputs to fair value
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 and carparking space 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	Market comparison approach	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	Market comparison approach	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

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.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2018	—	3,735	2,234	841	6,810
Transfer from investment properties (Note 16)	55,318	—	—	—	55,318
Additions	—	526	342	293	1,161
Exchange realignment	—	—	(13)	(5)	(18)
At 31 December 2018	55,318	4,261	2,563	1,129	63,271
Impact on initial application of HKFRS 16 (Note 2(a)(i))	1,065	—	—	—	1,065
At 1 January 2019	56,383	4,261	2,563	1,129	64,336
Transfer to investment properties (Note 16)	(55,318)	—	—	—	(55,318)
Additions	9,329	—	1,791	—	11,120
Effect of lease modification	—	—	(44)	—	(44)
Exchange realignment	(4)	—	(7)	(3)	(14)
At 31 December 2019	10,390	4,261	4,303	1,126	20,080
DEPRECIATION					
At 1 January 2018	—	2,445	1,904	765	5,114
Charged for the year	1,349	314	171	109	1,943
Exchange realignment	—	—	(13)	(6)	(19)
At 31 December 2018	1,349	2,759	2,062	868	7,038
Charged for the year	2,590	344	180	117	3,231
Effect of lease modification	—	—	(26)	—	(26)
Transfer to investment properties (Note 16)	(1,574)	—	—	—	(1,574)
Exchange realignment	(3)	—	(6)	(3)	(12)
At 31 December 2019	2,362	3,103	2,210	982	8,657
NET BOOK VALUE					
At 31 December 2019	8,028	1,158	2,093	144	11,423
At 31 December 2018	53,969	1,502	501	261	56,233

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

The analysis of the net book value of right-of-use assets, included in the above property, plant and equipment, by class of underlying asset is as follows:

	Land and buildings HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
Right-of-use assets			
At 1 January 2019 (Note)	—	300	300
Additions	9,329	—	9,329
Depreciation	(1,300)	(72)	(1,372)
Effect of lease modification	—	(18)	(18)
Exchange realignment	(1)	(1)	(2)
At 31 December 2019	8,028	209	8,237

At 31 December 2018, the net book value of an office equipment held under finance lease of the Group was approximately HK$300,000. It was reclassified as right-of-use assets on 1 January 2019 upon the adoption of HKFRS 16.

Apart from the above, the Group's leasehold land and building of approximately HK$55,034,000 originating held for own use, was classified as right-of-use assets upon the adoption of HKFRS 16. This leasehold land and building was subsequently leased out for earning rental income during the year and was reclassified as investment property accordingly.

18. INTERESTS IN JOINT VENTURES

	2019 **HK$'000**	2018 HK$'000
Share of net assets other than goodwill	**826,260**	822,996
Goodwill	**35,418**	35,622
At the end of the year	**861,678**	858,618

	2019 **HK$'000**	2018 HK$'000
At the beginning of the year	**858,618**	966,981
Distribution	**—**	(153,826)
Share of post-acquisition losses, net of tax and other comprehensive income	**(1,150)**	(2,808)
Income tax paid	**3,958**	48,391
Exchange realignment	**252**	(120)
At the end of the year	**861,678**	858,618

18. INTERESTS IN JOINT VENTURES *(Continued)*

As at 31 December 2019 and 2018, 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		Principal activities
					2019	2018	
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

Notes:

(a) Under HKFRS 11 *Joint Arrangement*, these joint arrangements of the Group are classified as joint ventures and have been included in the Group's consolidated financial statements 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 approximately US$69,152,000 (equivalent to approximately HK$536,234,000) in which approximately US$9,598,000 (equivalent to approximately HK$74,416,000) represented the directly attributable costs related to the transaction.

(c) 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 approximately US$15,000,000 (equivalent to approximately HK$116,319,000) and approximately 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").

18. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

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

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

The Group and the Property Fund hold 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.

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

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

On 21 August 2015, the Group acquired the entire membership interests of Denver GPM LLC from Rosemont at a consideration of approximately US$5,500,000 together with additional contribution of approximately 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 approximately 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 2019 and 2018.

(d) On 31 March 2017, the Property Fund further acquired 18.423% of Class B membership interests 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 2019 and 2018.

(e) For the year ended 31 December 2019, the Group shared the post-acquisition profit of Gemini-Rosemont and Portfolio II LP, net of tax amounted to approximately US$174,000 and US$5,983,000 respectively (equivalent to approximately HK$1,359,000 and HK$46,732,000 respectively) (2018: profit of approximately US$9,066,000 (equivalent to approximately HK$70,943,000) and loss of approximately US$6,121,000 (equivalent to approximately HK$47,898,000) respectively), and post-acquisition loss of Denver GPM LLC, net of tax amounted to approximately US$6,305,000 (equivalent to approximately HK$49,241,000) (2018: loss of approximately US$3,304,000 (equivalent to approximately HK$25,853,000)).

For the year ended 31 December 2018, the Group received distribution from Portfolio II LP amounted to approximately US$19,598,000 (equivalent to approximately HK$153,826,000). There was no distribution received/receivable during the current year.

18. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(e) *(Continued)*

For the year ended 31 December 2019, the Group paid income tax of approximately US$504,000 (equivalent to approximately HK$3,958,000) in respect of its direct tax obligation in Portfolio II LP. No income tax was paid for Gemini-Rosemont during the year ended 31 December 2019.

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

Gemini-Rosemont Realty LLC	**2019**	2018
	HK$'000	HK$'000
As at 31 December		
Current assets	**1,888,577**	1,749,873
Non-current assets	**10,706,712**	9,166,204
Current liabilities	**(2,190,723)**	(1,253,540)
Non-current liabilities	**(8,522,346)**	(8,616,687)
Net assets	**1,882,220**	1,045,850
Included in the above amounts are:		
Cash and cash equivalents	**1,407,840**	898,881
Restricted cash, escrows and reserves	**318,663**	390,142
Non-current financial liabilities (excluding limited partner interest)	**(7,953,115)**	(7,847,754)
Current financial liabilities (excluding trade and other payables)	**(1,580,030)**	(841,302)
Year ended 31 December		
Revenue	**1,375,728**	1,337,485
Profit for the year	**242,246**	147,045
Other comprehensive income	**22,322**	(22,364)
Total comprehensive income	**264,568**	124,681
Included in the above amounts are:		
Depreciation and amortisation	**(6,131)**	(1,549)
Interest income	**23,533**	6,252
Interest expense	**(561,043)**	(551,655)
Income tax expense	**(1,328)**	(1,322)

18. INTERESTS IN JOINT VENTURES *(Continued)*

Reconciled to the Group's interests in joint ventures	**2019**	2018
	HK$'000	HK$'000
Gross amounts of Gemini-Rosemont Realty LLC's net assets	**1,882,220**	1,045,850
Group's share of Gemini-Rosemont Realty LLC's net assets	**826,260**	822,996
Goodwill	**35,418**	35,622
Carrying amount in the consolidated financial statements	**861,678**	858,618

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	HK$'000
Unlisted equity investments (Note (a))	**109**	2,211
Club debentures (Note (b))	**5,800**	5,700
Unlisted fund investments (Note (c))	**2,215,445**	2,191,761
	2,221,354	2,199,672

These investments were reclassified from available-for-sale investments of approximately HK$2,226,977,000 at 1 January 2018 upon the adoption of HKFRS 9. The fair value of these investments as at 1 January 2018, 31 December 2018 and 31 December 2019 were estimated by BMI Appraisals, details of the fair value measurement are set out in Note 41(h) to the consolidated financial statements.

Notes:

(a) At the end of the reporting period, the fair value of the Group's investments in unlisted equity securities issued by a private entity incorporated outside Hong Kong was approximately RMB98,000 (equivalent to approximately HK$109,000) (2018: approximately US$270,000 and RMB85,000 (equivalent to approximately HK$2,211,000 in aggregate)).

(b) At the end of the reporting period, the fair value of the club debentures held by the Group was HK$5,800,000 (2018: HK$5,700,000).

As at 31 December 2019 and 2018, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted equity investments and club debentures) as mentioned above was categorised within level 3 of the fair value hierarchy.

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

Notes: *(Continued)*

(c)(i) At the end of the reporting period, the Group held approximately 341,000 (2018: 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 2019 was approximately HK$130,812,000 (2018: approximately HK$126,359,000).

(c)(ii) At the end of the reporting period, the Group held approximately 141,000 (2018: 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 2019 was approximately HK$155,812,000 (2018: approximately HK$146,907,000).

(c)(iii) At the end of the reporting period, the Group also held approximately 110,000 (2018: 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 2019 was approximately HK$134,259,000 (2018: approximately HK$128,379,000).

As at 31 December 2019 and 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.

(c)(iv) At the end of the reporting period, the Group held approximately 1,012,000 (2018: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund, which incorporated in Cayman Islands and 637,000 (2018: 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 2019 was approximately HK$765,281,000 (2018: approximately HK$799,680,000) and approximately HK$555,287,000 (2018: approximately HK$541,892,000) 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, Japan and/or Australia.

19. 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 23.08% of the total commitments of US$260,000,000 (equivalent to approximately HK$2,025,000,000). As at 31 December 2019, the fair value of the investments in the PRB Fund was approximately HK$473,994,000 (2018: approximately HK$448,544,000).

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 and to invest in other investment funds.

As at 31 December 2019 and 2018, the Group has no outstanding commitments to make capital contribution.

As at 31 December 2019 and 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) and (c)(v) above was categorised within level 3 of the fair value hierarchy.

20. LOAN RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Current:		
Loans to a joint venture (Note (a))	**335,735**	20,585
Non-current:		
Loans to a joint venture (Note (b))	**37,674**	413,940
	373,409	434,525

Notes:

(a) As at 31 December 2019, loan receivables with principal amount of US$50,128,000 (equivalent to approximately HK$390,389,000) (2018: US$2,628,000 (equivalent to approximately HK$20,585,000)) in aggregate are due from the joint venture. The loan receivables are unsecured, interest-bearing at rates ranging from 5% to 6% per annum and repayable on demand or within one year. Accordingly, they are classified under current assets at the end of the reporting period.

(b) In addition, loan receivables with principal amount of US$5,625,000 (equivalent to approximately HK$43,807,000) (2018: US$53,125,000 (equivalent to approximately HK$416,123,000)) in aggregate are due from the joint venture as at 31 December 2019. The loan are receivables unsecured, interest-bearing at rate of 6% per annum and repayable within 2021. Accordingly, they are classified as non-current assets at the end of the reporting period.

20. LOAN RECEIVABLES *(Continued)*

As at 31 December 2019, the ECLs allowance of approximately HK$54,654,000 and approximately HK$6,133,000 was provided for the current loan receivables and non-current loan receivables respectively (2018: loss allowance of approximately HK$2,183,000 on the non-current loan receivables).

	Loss allowance
	HK$'000
Balance at 1 January 2018	1,750
Recognised during the year	433
Balance at 31 December 2018 and 1 January 2019	2,183
Recognised during the year	58,604
Balance at 31 December 2019	60,787

21. PROPERTIES UNDER DEVELOPMENT

	2019	2018
	HK$'000	HK$'000
Carrying amount at 1 January	**479,538**	442,011
Additions	**207,917**	36,676
Exchange realignment	**(1,537)**	851
Carrying amount at 31 December	**685,918**	479,538

	2019	2018
	HK$'000	HK$'000
Properties under development comprised:		
Land use rights	**414,294**	414,294
Construction costs and capitalised expenditures	**267,650**	64,393
Borrowing costs capitalised (Note 9)	**4,660**	—
Exchange realignment	**(686)**	851
Carrying amount at 31 December	**685,918**	479,538

Properties under development are located in the U.S.

21. PROPERTIES UNDER DEVELOPMENT *(Continued)*

The properties under development are expected to be completed within the normal operating cycle of the Group and classified as current assets. These properties under development are expected to be completed and available for sale for more than twelve months after the end of the reporting period.

22. FINANCIAL INSTRUMENTS HELD FOR TRADING

	2019	2018
	HK$'000	HK$'000
Current assets		
Listed securities:		
— Equity securities listed in Hong Kong	**45,623**	3,070
— Equity securities listed in the U.S., Europe, Japan, Sweden and the PRC	**240,663**	167,814
	286,286	170,884
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 Hong Kong, the U.S., Europe, Japan, Sweden and the PRC. The Group maintains a portfolio of diversified investments in terms of industry distribution such as, global equity index, 5G, information technology, defense, healthcare, education, finance, retails, consumer goods and commodities. As such, the value of the Group's listed securities is significantly affected by high volatility of global capital market.

23. RESTRICTED BANK DEPOSITS

As at 31 December 2019, restricted bank deposits represented pledged bank deposits amounted to approximately HK$8,556,000 (2018: pledged bank deposits and escrow and reserves amounted to approximately HK$16,055,000 and approximately HK$33,165,000 respectively). Certain pledged bank deposits amounted to approximately HK$7,070,000 (2018: approximately HK$8,387,000) were classified as current assets and the remaining balance of pledged bank deposits of approximately HK$1,486,000 (2018: pledged bank deposits of approximately HK$7,668,000 and escrow and reserves of approximately HK$33,165,000) were classified as non-current assets as at 31 December 2019.

23. RESTRICTED BANK DEPOSITS *(Continued)*

Escrow and reserves represented mandatory deposits to cover certain obligations as set forth in the mortgage loan agreement. These cash balances are used primarily to pay insurance and real estate taxes over the next period and capital repairs as needed. Escrow and reserves were fully released during the year ended 31 December 2019.

Pledged bank deposits have been used to secure the borrowing as disclosed in Note 26(b).

24. CASH AND BANK BALANCES

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

	2019	2018
	HK$'000	HK$'000
Bank and cash balances	**498,084**	816,569
Short term deposits	**477,097**	—
Total cash and bank balances	**975,181**	816,569

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

As at 31 December 2019, the bank balances of the Group denominated in RMB amounted to approximately HK$33,624,000 (2018: approximately HK$36,059,000), 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.

The effective interest rates of short term bank deposits ranged from 1.19% to 2.5% per annum as at 31 December 2019. These deposits have maturity period within three months. The Group considered that the fair value of the short term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

25. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

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

26. BORROWINGS

The maturity profile of the borrowings is as follows:

	2019	2018
	HK$'000	HK$'000
Current:		
Lease liabilities (Note 32)	**5,062**	—
Obligation under finance lease (Note 32)	**—**	87
Bank loans		
— guaranteed and repayable within 1 year (Note (a))	**241,424**	—
	246,486	87
Non-current:		
Lease liabilities (Note 32)	**3,214**	—
Obligation under finance lease (Note 32)	**—**	206
Bank loans		
— secured and repayable after 5 years (Note (b))	**422,880**	425,327
	426,094	425,533
	672,580	425,620

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

Notes:

(a) As at 31 December 2019, the bank borrowing amounted to US$31,000,000 (equivalent to approximately HK$241,424,000) (2018: Nil) will be wholly repayable on 18 October 2020. The bank borrowing is interest-bearing at adjusted LIBOR plus 2.7% per annum. A corporate guarantee is provided by the ultimate parent, Sino-Ocean Group Holding Limited for the bank borrowing.

(b) As at 31 December 2019, the bank borrowing amounted to US$54,300,000 (equivalent to approximately HK$422,880,000) (2018: 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 approximately HK$717,261,000 (2018: approximately HK$719,061,000) (Note 16) and restricted bank deposits amounted to approximately HK$8,556,000 (2018: approximately HK$16,055,000) (Note 23). A corporate guarantee was also provided by Gemini-Rosemont for the bank borrowing as at 31 December 2019 and 2018.

27. SHARE CAPITAL

	2019		2018	
	Number	**HK$'000**	Number	HK$'000
Ordinary shares				
At beginning of the year	**451,390,000**	**185,453**	450,990,000	184,881
Share option exercised	**—**	**—**	400,000	572
	451,390,000	**185,453**	451,390,000	185,453

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

28. RESERVES

The Group

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

The Company

	Convertible preference shares reserves	Perpetual bond	Other reserves	Capital contribution reserve	Capital reduction reserve	Share options reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 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 29)	(129,957)	–	–	–	129,957	–	–	–
Equity extinguished to liability (Note 29)	(610,399)	–	533,098	–	–	–	–	(77,301)
Reclassify convertible preference shares from liability to equity (Note 29)	608,720	–	(533,098)	–	–	–	–	75,622
Transfer arising from capital reduction (Note 29)	–	–	–	–	(129,957)	–	129,957	–
Profit for the year	–	–	–	–	–	–	207,245	207,245
At 31 December 2018 and 1 January 2019	2,355,533	2,259,504	–	308,190	–	22,336	539,611	5,485,174
Profit for the year	–	–	–	–	–	–	300,118	300,118
At 31 December 2019	2,355,533	2,259,504	–	308,190	–	22,336	839,729	5,785,292

29. CONVERTIBLE PREFERENCE SHARES RESERVE

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

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

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

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

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

29. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

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 ("Amendments"), 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.

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 approximately HK$77,301,000 and its carrying amount of approximately HK$610,399,000 at the Effective Date was recognised as "Other reserve" included in "Reserves" and as presented in the Group's consolidated statement of changes in equity.

29. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

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 are reclassified as equity instruments at 1 July 2018. The balance recorded in the "Other reserve" 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 1 January 2018	—	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 Adjustments	(75,622)	608,720	(533,098)
At 31 December 2018 and 2019	—	2,355,533	—

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 Adjustments to the revised conversion price.

29. CONVERTIBLE PREFERENCE SHARES RESERVE *(Continued)*

Capital reduction

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 5 July 2017, the cancellation of 470,666,666 CPSs was effective following the registration in the public record of the relevant statutory return filed with the Hong Kong Companies Registry ("Capital Reduction") on 10 August 2017. The credit in the amount of approximately HK$1,411.5 million in the CPSs reserve account of the Company arising from this Capital Reduction was credited to the accumulated losses account of the Company during the year ended 31 December 2017.

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 applied to 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.

30. 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 offsetting 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.

30. PERPETUAL BOND *(Continued)*

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

The carrying amounts of the other borrowings 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.

During the year ended 31 December 2019, the Company paid a distribution of perpetual bond to Grand Beauty amounted to approximately HK$452,000 (2018: Nil).

31. DEFERRED TAXATION

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**20,908**	14,480
(Credited)/charged to profit or loss (Note 11)	**(2,207)**	6,394
Exchange realignment	**(80)**	34
At 31 December	**18,621**	20,908

31. DEFERRED TAXATION *(Continued)*

	Accelerated tax depreciation/ (depreciation in excess of related depreciation allowance)	Withholding tax on interest income	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	526	13,954	—	14,480
(Credited)/charged to profit or loss (Note 11)	(844)	7,238	—	6,394
Exchange realignment	3	31	—	34
At 31 December 2018 and 1 January 2019	(315)	21,223	—	20,908
(Credited)/charged to profit or loss (Note 11)	(3,363)	7,228	(6,072)	(2,207)
Exchange realignment	11	(108)	17	(80)
At 31 December 2019	(3,667)	28,343	(6,055)	18,621

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

	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**(9,722)**	(315)
Deferred tax liabilities	**28,343**	21,223
	18,621	20,908

At the end of the reporting period, the Group had unused tax losses of approximately HK$228,200,000 (2018: approximately HK$199,589,000) available for offset against future profits. The tax losses are subject to the final assessment of Hong Kong Inland Revenue Department. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

No deferred tax liability has been recognised on temporary differences of approximately HK$12,587,000 (equivalent to approximately RMB9,453,000) (2018: approximately HK$14,172,000 (equivalent to approximately RMB10,833,000)) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such difference will not reverse in the foreseeable future.

32. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, refer to Note 2(a)(i) to the consolidated financial statements. The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in Note 3(m).

	31 December 2019	1 January 2019
	HK$'000	HK$'000
Current liabilities	5,062	700
Non-current liabilities	3,214	665
	8,276	1,365

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019	Interest 31 December 2019	Present value 31 December 2019
	HK$'000	HK$'000	HK$'000
Within 1 year	5,921	859	5,062
After 1 year but within 2 years	3,203	107	3,096
After 2 years but within 5 years	232	114	118
	9,356	1,080	8,276

	Minimum lease payments 1 January 2019	Interest 1 January 2019	Present value 1 January 2019
	HK$'000	HK$'000	HK$'000
Within 1 year	1,237	537	700
After 1 year but within 2 years	955	409	546
After 2 years but within 5 years	155	36	119
	2,347	982	1,365

32. LEASES *(Continued)*

	Minimum lease payments 31 December 2018	Interest 31 December 2018	Present value 31 December 2018
	HK$'000	**HK$'000**	**HK$'000**
Within 1 year	**111**	**24**	**87**
After 1 year but within 2 years	**111**	**24**	**87**
After 2 years but within 5 years	**155**	**36**	**119**
	377	**84**	**293**

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balance relating to lease previously classified as obligation under finance lease. Comparative information as at 31 December 2018 has not been restated and relates solely to the lease previously classified as finance lease (Note 2(a)(i)).

Operating lease

The Group as lessee:

At 31 December 2018, 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
	HK$'000
Within one year	4,260
After 1 year but within 2 years	846
	5,106

Operating lease payments represent rentals payable by the Group for its office premises. As at 31 December 2018, the leases are negotiated for terms ranging from one to two years and rentals are fixed over the lease terms.

32. LEASES *(Continued)*

Operating lease — the Group as lessor

Property rental income earned from leasing of the Group's investment properties during the year is disclosed in Note 5. The properties held by the Group have committed tenants for the lease term ranging from six months to eight years (2018: six months to eight years) and rentals are fixed over the lease terms.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**74,193**	75,180
After 1 year but within 2 years	**71,436**	63,556
After 2 years but within 3 years	**68,671**	62,004
After 3 years but within 4 years	**65,963**	63,294
After 4 years but within 5 years	**67,422**	60,009
After 5 years	**67,461**	124,326
	415,146	448,369

33. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	HK$'000
Properties under development (Note 21)	**325,028**	18,495

34. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank borrowings	Finance lease/ lease liabilities	Amount due to intermediate holding company	Interest payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	425,327	293	226,954	–	652,574
Impact on initial application of HKFRS 16	–	1,072	–	–	1,072
	425,327	1,365	226,954	–	653,646
Changes from cash flows:					
New bank borrowings	241,423	–	–	–	241,423
Cash advance from intermediate holding company	–	–	264,804	–	264,804
Payment of principal element of lease liabilities	–	(2,392)	–	–	(1,803)
Payment of interest element of lease liabilities	–	(881)	–	–	(1,470)
Interest paid	–	–	–	(20,218)	(20,218)
Total changes in cash flow from financing activities	241,423	(3,273)	264,804	(20,218)	482,736
Exchange realignment	(2,446)*	(8)*	–	–	(2,454)
Other changes:					
Recognition of lease liabilities	–	9,322*	–	–	9,322
Effect of lease modification	–	(11)*	–	–	(11)
Finance charges on obligations under finance lease	–	881*	–	–	881
Interest on bank and other borrowings (Note 9)	–	–	–	20,643*	20,643
Total other charges	–	10,192	–	20,643	30,835
At 31 December 2019	664,304	8,276	491,758	425	1,164,763

* Non-cash transactions

34. 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 1 January 2018	496,667	281	552,675	634	1,050,257
Changes from cash flows:					
Cash repayment to intermediate holding company	—	—	(325,721)	—	(325,721)
Capital element of finance lease repayment	—	(116)	—	—	(116)
Repayment of bank borrowing	(500,000)	—	—	—	(500,000)
Interest paid	—	—	—	(28,360)	(28,360)
Total changes in cash flow from financing activities	(500,000)	(116)	(325,721)	(28,360)	(854,197)
Exchange realignment	507*	—	—	—	507
Other changes:					
Interest on bank and other borrowings (Note 9)	—	—	—	27,726*	27,726
Acquisition of assets under finance lease	—	104*	—	—	104
Finance charges on obligation under finance lease	—	24*	—	—	24
Increase in borrowing through acquisition of a subsidiary	424,820*	—	—	—	424,820
Amortisation of arrangement fee (Note 9)	3,333*	—	—	—	3,333
Total other charges	428,153	128	—	27,726	456,007
At 31 December 2018	425,327	293	226,954	—	652,574

* Non-cash transactions

35. 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 2019, the retirement benefits cost charged to the consolidated income statement of HK$1,353,000 (2018: HK$1,226,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

36. 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.

36. NON-CONTROLLING INTEREST *(Continued)*

Summarised financial information of 600 Clipper Investment Partnership LP before intra-group eliminations is presented below:

	2019	2018
	HK$'000	HK$'000
For the year ended 31 December		
Revenue	**78,758**	56,392
Profit for the year	**49,639**	19,891
Total comprehensive income	**49,639**	19,891
Profit allocated to non-controlling interests	**42,752**	18,504
Dividends paid to non-controlling interests	**18,819**	20,240
For the year ended 31 December		
Cash flows generated from operating activities	**2,141**	15,736
Cash flows generated from/(used in) investing activities	**31,945**	(403)
Cash flows used in financing activities	**(23,550)**	(3,070)
Net cash inflows	**10,536**	12,263

	2019	2018
	HK$'000	HK$'000
As at 31 December		
Current assets	**43,637**	67,580
Non-current assets	**733,287**	724,736
Current liabilities	**(1,659)**	(25,324)
Non-current liabilities	**(422,880)**	(425,533)
Net assets	**352,385**	341,459

37. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors (Note 12), for the year ended 31 December 2019 is HK$3,179,000 (2018: HK$3,099,000).

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.

	Note	**2019** **HK$'000**	2018 HK$'000
Transactions with fellow subsidiaries:			
— Rents paid		**—**	34
— Building management fee paid		**—**	4
— Management service fee paid		**116**	—
		116	38
Transactions with a joint venture:			
— Asset management fee paid		**4,373**	4,552
— Building management fee paid		**281**	402
— Other loan interest income	(a)	**(25,552)**	(25,567)
		(20,898)	(20,643)

Notes:

(a) As at 31 December 2019, as described in Note 20, loan receivables of US$55,753,000 (equivalent to approximately HK$434,196,000) (2018: approximately US$55,753,000 (equivalent to approximately HK$434,525,000)) in aggregate with interest-bearing at rates ranging from 5% to 6% per annum were granted by the Group to the joint venture. The interest income derived from the loan receivables during the year was approximately HK$25,552,000 (2018: approximately HK$25,567,000).

(b) On 26 February 2018, the Group acquired 100% equity interest in general partner of 600 Clipper GP Partner A LLC and 19.5% limited partnership interest in 600 Clipper Investment Partnership LP (Note 36) from Gemini-Rosemont at the consideration of approximately US$7,385,000 as detailed in the Company's announcement dated on 26 February 2018 and circular date 28 March 2018.

38. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**2,087,520**	2,082,946
Amounts due from subsidiaries		**3,322,948**	2,975,440
		5,410,468	5,058,386
Current assets			
Deposits and prepayments		**51,848**	51,840
Amounts due from subsidiaries		**988,380**	932,584
Bank balances and cash		**155,887**	37,018
		1,196,115	1,021,442
Current liabilities			
Other payables and accrued charges		**5,221**	6,870
Amount due to intermediate holding company		**622,881**	394,568
Amounts due to subsidiaries		**7,736**	7,763
		635,838	409,201
Net current assets		**560,277**	612,241
Total assets less current liabilities		**5,970,745**	5,670,627
Capital and reserves			
Share capital	27	**185,453**	185,453
Reserves	28	**5,785,292**	5,485,174
Total equity		**5,970,745**	5,670,627

On behalf of the directors

Sum Pui Ying
Director

Lai Kwok Hung, Alex
Director

39. INVESTMENTS IN SUBSIDIARIES

	The Company 2019	2018
	HK$'000	HK$'000
Unlisted shares, at cost	**3,113**	3,113
Deemed capital contribution (Note)	**2,084,407**	2,079,833
	2,087,520	2,082,946

Note:

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

In the opinion of the directors, based on their assessment as at 31 December 2019 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK$3,322,948,000 (2018: HK$2,975,440,000) 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 2019, the principal amounts due from subsidiaries have been adjusted to their fair value with a corresponding increase of HK$2,084,407,000 (2018: HK$2,082,946,000) 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% (2018: 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 2019 and 2018 which in the opinion of the directors, materially affect the results or 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 2019 %	2018 %	Principal activities
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	Hong Kong	US$1	**100**	100	Property Investment

39. 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
				2019	2018	
				%	%	
Charm City Global Limited	BVI/Hong Kong	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$12,072,199	**100**	100	Property Investment
Dawn City Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Dawn City Global LLC	The U.S.	The U.S.	US$12,101,701	**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	The U.S.	US$1	**100**	100	Investment holding
Fame Gate Developments Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Flourish Day Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Forceful Basis Global Limited	BVI	The U.S.	US$1	**100***	100*	Investment holding
Gemini Development Holdings Palo Alto LLC	The U.S.	The U.S.	US$1,295	**100**	100	Provision of project management services
Gemini Investment (HK) Limited	Hong Kong	Hong Kong	HK$2	**100***	100*	Securities investment and trading

39. 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
				2019 **%**	2018 %	
Gemini Investment Palo Alto LLC	The U.S.	The U.S.	US$1,008,831	**100**	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 Investments Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Gemini Prosperity Limited	BVI	The U.S.	US$1	**100***	100*	Investment holding
Gemini-Rosemont Realty Holdings LLC	The U.S.	The U.S.	US$71,602,262	**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 Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Grandeur New Global II LLC	The U.S.	The U.S.	US$5,817,021	**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$5,841,837	**100**	100	Investment holding

39. 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
				2019	2018	
				%	%	
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$58,051	**100**	100	Investment holding
Jian Feng Holdings Limited	BVI/Hong Kong	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	Hong Kong	US$1	**100**	100	Property investment
Keen Superior Holdings Limited	BVI/Hong Kong	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	Hong Kong	US$1	**100**	100	Property investment

39. 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
				2019 **%**	2018 %	
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$23,730,591	**100**	100	Investment holding
Rosemont WTC Denver GPM LLC Holdings LLC	The U.S.	The U.S.	US$10,909,093	**100**	100	Property Investment
Sheng Mao Investments Limited	BVI	Hong Kong	US$1	**100***	100*	Investment holding
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$8,038,812	**100**	100	Property Investment
Shine Victory LLC	The U.S.	The U.S.	US$8,063,380	**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$6,693,595	**100**	100	Investment holding

39. 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
				2019	2018	
				%	%	
Southcourt Operating LLC	The U.S.	The U.S.	US$17,234,730	**100**	100	Property investment
Splendid Benefit Limited	BVI/Hong Kong	Hong Kong	US$1	**100**	100	Property investment
Spring Day Global Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Starry Yield Holdings Limited	BVI	The U.S.	US$1	**100**	100	Investment holding
Summer Bliss Global Limited	BVI	The U.S.	US$1	**100***	100*	Investment holding
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	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	Hong Kong	US$1	**100**	100	Leasing office premise
Ultimate Ventures Holdings Limited	BVI/Hong Kong	Hong Kong	US$1	**100**	100	Property investment
Vital Harvest Global Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding

39. 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
				2019	2018	
				%	%	
Gemini-Rosemont New York Holdings LLC	The U.S.	The U.S.	US$66,682,775	**100**	100	Property development
Gemini-Rosemont New York LLC (formely known as "535 AOA LLC")	The U.S.	The U.S.	US$1,395,637	**100**	100	Property development
531-539 Sixth Avenue LLC (formerly known as "539 AOA LLC")	The U.S.	The U.S.	US$91,514,426	**100**	100	Property development
600 Clipper GP Partner A LLC	The U.S.	The U.S.	US$1,045	**100**	100	Property development
600 Clipper GP Partner B LLC	The U.S.	The U.S.	US$188,055	**100**	100	Property development
600 Clipper SPV LLC	The U.S.	The U.S.	US$7,384,818	**100**	100	Property development
杭州盛能投資諮詢有限公司#	PRC	PRC	RMB103,496	**100**	100	Investment holding
深圳譽得股權投資管理有限公司#	PRC	PRC	US$40,000	**100***	100*	Investment holding
盛洋(北京)投資顧問有限公司#	PRC	PRC	RMB20,000,000	**100**	100	Investment holding and provision of fund management services
佛山市君進房地產咨詢有限公司#	PRC	PRC	RMB100,000	**100**	—	Provision of real estate consultancy services

* Directly held by the Company

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

40. 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 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 the reporting period was as follows:

	2019	2018
	HK$'000	HK$'000
Total equity attributable to owners of the Company	**5,446,083**	5,529,034
Total assets	**7,002,919**	6,569,464
Total equity to total assets ratio	**0.78:1**	0.84:1

41. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

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

	2019	2018
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss	2,221,354	2,199,672
Financial instruments — held for trading	286,286	170,884
At amortised cost		
— Other receivables	37,914	26,792
— Loan receivables	373,409	434,525
— Cash and bank balances	975,181	816,569
— Restricted bank deposits	8,556	49,220
	3,902,700	3,697,662
Financial liabilities at amortised cost		
— Other payables and accrued charges	57,064	83,739
— Amount due to an intermediate holding company	491,758	226,954
— Bank borrowings	664,304	425,327
— Lease liabilities	8,276	—
— Obligation under finance lease	—	293
	1,221,402	736,313

(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.

41. FINANCIAL RISK MANAGEMENT *(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**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**978,713**	938,179	**492,390**	226,954
RMB	**20,007**	25,418	**—**	—
Japanese Yen ("JPY")	**6**	6	**—**	—
Canadian Dollar ("CAD")	**—**	3	**—**	—
Australian Dollar ("A$")	**45**	45	**—**	—
British Pound ("GBP")	**174**	896	**—**	—
Euro ("EUR")	**1,495**	4,692	**—**	—
	1,000,440	969,239	**492,390**	226,954

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

41. FINANCIAL RISK MANAGEMENT *(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 a decrease/(an increase) in loss in 2019 and an increase/(a decrease) in profit in 2018.

	2019		2018	
THE GROUP	**Increase/ (decrease) in foreign exchange rate**	**Effect on profit or loss**	Increase/ (decrease) in foreign exchange rate	Effect on profit or loss
		HK$'000		HK$'000
RMB against HK$	**10%**	**2,001**	10%	2,541
	(10%)	**(2,001)**	(10%)	(2,541)
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%**	**17**	10%	90
	(10%)	**(17)**	(10%)	(90)
EUR against HK$	**10%**	**150**	10%	462
	(10%)	**(150)**	(10%)	(462)

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk management

The Group's bank borrowings as disclosed in Note 26 was issued at variable rates and fixed rates which expose the Group to cash flow interest-rate risk and fair value interest-rate risk for the bank borrowings respectively. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 26 to the financial statements.

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 borrowings.

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 2019 would increase/decrease by HK$821,000 (2018: HK$2,128,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2018.

41. FINANCIAL RISK MANAGEMENT *(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 19) and the financial instruments held for trading (Note 22), comprising listed equity securities and derivatives measured at fair value at the end of the reporting period.

Listed equity securities held in the portfolio of 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 had been 10% higher/lower, the Group's results for the year ended 31 December 2019 would increase/decrease by HK$37,397,000 (2018: HK$21,713,000) 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.

If the prices of the respective equity securities that are indexed to equity prices had been 10% higher/lower, the Group's results for the year ended 31 December 2019 would increase/decrease by HK$28,629,000 (2018: HK$17,048,000) 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 the reporting period.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 and to deal with credit worthy counterparties. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and 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 2019, the Group had certain concentration of credit risk as approximately 92% (2018: 94%) of the Group's rental receivables were due from the Group's one tenant.

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 debtor's ability to meet its debt obligations.

— Actual or expected significant changes in the operating results of the debtors.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Credit risk management *(Continued)*

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

— Actual or expected significant adverse change in the regulatory, economic, or technological environment in which the debtors 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.

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;

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

— the disappearance of an active market for a security because of financial difficulties of the issuer.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Credit risk management *(Continued)*

The Group measures loss allowance for rental receivables at an amount equal to lifetime ECLs, 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 ECLs also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle the rental receivables. Rental receivables have been grouped based on shared credit risk characteristics and the days past due.

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

	2019	2018
	HK$'000	HK$'000
Expected loss rate	**0.5%**	0.5%
Gross carrying amount of rental receivables, current (not past due)	**34,121**	20,563
Loss allowance	**171**	116

In respect of loan receivables, the Group considered that the credit risk is low, and the loss allowance recognised during the year was therefore limited to 12 months ECLs.

The loss allowance under ECLs determined for loan receivables are as follows:

	2019	2018
	HK$'000	HK$'000
Expected loss rate	**14%**	0.5%
Gross carrying amount of loan receivables, current (not past due)	**434,196**	436,708
Loss allowance	**60,787**	2,183

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Credit risk management *(Continued)*

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

	Rental receivables HK$'000	Loan receivables HK$'000	Total HK$'000
Balance at 1 January 2018	12	1,750	1,762
Impairment losses recognised during the year	104	433	537
Balance at 31 December 2018 and 1 January 2019	116	2,183	2,299
Impairment losses recognised during the year	55	58,604	58,659
Balance at 31 December 2019	171	60,787	60,958

The following changes in the gross earning amounts of rental and loan receivables contributed to the increase in the loss allowance:

— origination of new rental receivables net of those settled resulted in an increase in loss allowance on rental receivables of HK$55,000.

— Although the gross carrying amount of loan receivables decreased from HK$436,708,000 at 31 December 2018 to HK$434,196,000 at December 2019 arise from the exchange realignment, the Group's management changed the expected loss rate from 0.5% in 2018 to 14% in 2019.

The Group does not provide any guarantees which would expose the Group to credit risk during the years ended 31 December 2019 and 2018.

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.

41. FINANCIAL RISK MANAGEMENT *(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.

	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 2019							
Other payables and accrued charges		**8,988**	**–**	**48,076**	**–**	**57,064**	**57,064**
Amount due to an intermediate holding company		**491,758**	**–**	**–**	**–**	**491,758**	**491,758**
Bank borrowings	**4.39%**	**2,435**	**4,633**	**260,440**	**534,525**	**802,033**	**664,304**
Lease liabilities (note)	**5.06%**	**535**	**1,073**	**4,313**	**3,435**	**9,356**	**8,276**
		503,716	**5,706**	**312,829**	**537,960**	**1,360,211**	**1,221,402**
31 December 2018							
Other payables and accrued charges		11,815	–	71,924	–	83,739	83,739
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	84,084	553,957	880,790	736,313

Note: The Group was initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balance as at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating lease under HKAS 17. Under this approach, the comparative information is not restated.

41. FINANCIAL RISK MANAGEMENT *(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 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$000	**HK$000**	**HK$000**	**HK$000**
As at 31 December 2019				
Financial assets at fair value through profit or loss				
— Unlisted equity investments (Note (i))	—	—	**109**	**109**
— Club debentures (Note (i))	—	—	**5,800**	**5,800**
— Unlisted fund investments (Notes (i) and (ii))	—	**420,883**	**1,794,562**	**2,215,445**
— Financial instruments held for trading	**286,286**	—	—	**286,286**
	286,286	**420,883**	**1,800,471**	**2,507,640**

41. FINANCIAL RISK MANAGEMENT *(Continued)*

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

	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 debentures (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

During the years ended 31 December 2019 and 2018, 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) At the end of the reporting period, 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 level 3 fair value measurement. The movement of these financial instruments is as follows:

	31 December 2019	31 December 2018
	HK$'000	HK$'000
At the beginning of year	**1,798,027**	1,795,074
Additions	**1,650**	—
Disposal	**(3,162)**	—
Exchange realignment	**(23)**	—
Fair value change recognised in profit or loss	**3,979**	2,953
At the end of year	**1,800,471**	1,798,027

41. FINANCIAL RISK MANAGEMENT *(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 19(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 2019, 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$420,883,000 (2018: HK$401,645,000) and HK$286,286,000 (2018: HK$170,484,000) respectively.

Other than set out in Notes 19 and 22, the fair values of other financial assets and all financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

41. FINANCIAL RISK MANAGEMENT *(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$5,220,000 to HK$6,380,000	Had the quote from brokers increased by 10%, the fair value would have increased by approximately HK$580,000. Had the quote from brokers decreased by 10%, the fair value would have decreased by approximately HK$580,000.
Unlisted equity and fund investments which principally invested in residential and commercial real estate	Market approach	Discount/ premium for quality of properties (e.g. view, level, size and condition of the properties)	-15% – 15%	Had the discount decreased by 10%, the fair value would have increased by approximately HK$228,052,000. Had the discount increase by 10%, the fair value would have decreased by approximately HK$228,052,000.
Unlisted equity and fund investments which invests in real estate project	Market approach	Discount/ premium for quality of properties (e.g. location, view, size, condition and time of the properties).	-16% – 30%	Had the discount decreased by 10%, the fair value would have increased by approximately HK$10,261,000. Had the discount increased by 10%, the fair value would have decreased by approximately HK$10,261,000.

41. FINANCIAL RISK MANAGEMENT *(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.

42. 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 16, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves estimates in market rental, rental yield and prime or discount for quality of properties. In relying on the valuation report, the directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) The ECLs for rental and loan receivables are based on the assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's assessment on debtors' payment history and current and future ability for payment taking into account the information specific to the debtors as well as pertaining to the current and future general economic environment in which the debtors operated. Details of management's credit risk assessment are disclosed in Note 41(f).

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

(c) The Group estimates the fair value of financial assets using the valuation performed by an independent professional valuer. In determining the fair value, the valuer based on a method of valuation which involves estimates in market return, market risk, interest rates and exchange 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 reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

43. EVENT AFTER THE REPORTING PERIOD

Impact of Novel Coronavirus Outbreak to the Group

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of these financial results, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

Cancellation of Convertible Preference Shares

On 28 February 2020, the Company entered into a third deed of cancellation with Grand Beauty, a subsidiary of Sino-Ocean, for the implementation of the proposed capital reduction involving the cancellation of 31,666,667 convertible preference shares held by Grand Beauty, which represented approximately 4.03% of all the convertible preference shares of the Company then in issue. The implementation of the proposed capital reduction is subject to fulfillment of certain conditions precedent. If such proposed capital reduction has become effective, a credit in the amount of approximately HK$95.0 million will arise from the capital reduction and be transferred and credited to capital reduction reserve account of the Company, which will be available to set off against any loss of the Company, and make distribution to its shareholders or undertake corporate exercise which would require the use of distributable reserves in the future when appropriate. Details of the transaction are set out in the announcement of the Company dated 28 February 2020.

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 3701 on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	2,388	100%	2059 (renewable for a further term of 75 years)
Unit 3702A on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	1,195	100%	2059 (renewable for a further term of 75 years)
Unit No. 2704 and 2705 of 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Certain parts or shares of and in Inland Lot No.8517	Office	3,881	100%	2055 (renewable for a further term of 75 years)
Unit 3604B on 36th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	2,412	100%	2059 (renewable for a further term of 75 years)
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	Non-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	Topping out	2nd half of 2021

Five-Year Financial Summary

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December,

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	22,633	83,097	55,565	189,815	**115,499**
(Loss)/profit before taxation	(1,133,009)	(248,109)	(72,341)	43,397	**(52,648)**
Taxation	(2,238)	(5,269)	(14,677)	(12,664)	**687**
(Loss)/profit for the year	(1,135,247)	(253,378)	(87,018)	30,733	**(51,961)**
(Loss)/profit for the year attributable to:					
Owners of the Company	(1,135,247)	(253,378)	(87,018)	12,229	**(94,713)**
Non-controlling interests	—	—	—	18,504	**42,752**
	(1,135,247)	(253,378)	(87,018)	30,733	**(51,961)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December,

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	6,528,232	5,926,243	6,589,265	6,569,464	**7,002,919**
Total liabilities	(2,571,886)	(2,092,051)	(1,113,594)	(763,599)	**(1,256,072)**
	3,956,346	3,834,192	5,475,671	5,805,865	**5,746,847**
Equity attributable to:					
Owners of the Company	3,956,346	3,834,192	5,475,671	5,529,034	**5,446,083**
Non-controlling interests	—	—	—	276,831	**300,764**
	3,956,346	3,834,192	5,475,671	5,805,865	**5,746,847**

Corporate Information

BOARD OF DIRECTORS

Honorary Chairman

LI Ming

Executive Directors

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

Non-executive Directors

LI Ming (Honorary Chairman)
LI Hongbo
TANG Runjiang

Independent Non-executive Directors

LAW Tze Lun
LO Woon Bor, Henry
CHEN Yingshun

AUDIT COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
CHEN Yingshun

REMUNERATION COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
CHEN Yingshun

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

YUE Pui Kwan

AUTHORISED REPRESENTATIVES

LAI Kwok Hung, Alex
YUE Pui Kwan

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISOR

Sit Fung Kwong & Shum

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Tricor Standard Limited
Level 54, 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