



盛洋投资

Gemini Investments (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 174

2020
Interim Report

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Financial Highlights

| (HK\$'000) | Six months ended 30 June 2020 (unaudited) | Six months ended 30 June 2019 (unaudited) |
|--|--|---|
| Revenue | 56,603 | 60,448 |
| Loss before income tax | (103,280) | (157,389) |
| Loss for the period | (103,577) | (162,451) |
| Loss attributable to owners of the Company | (126,623) | (181,747) |
| Loss per share — basic (HK dollar) | (0.25) | (0.40) |
| Loss per share — diluted (HK dollar) | (0.25) | (0.40) |

| (HK\$'000) | As at 30 June 2020 (unaudited) | As at 31 December 2019 (audited) |
|--|---|---|
| Total assets | 7,156,658 | 7,002,919 |
| Equity attributable to owners of the Company | 5,494,769 | 5,446,083 |
| Cash and cash equivalents | 922,082 | 975,181 |

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 results of the Company and its subsidiaries (together referred to as "**our Group**" or "**We**"/"**we**") for the six months ended 30 June 2020 (the "**2020 Interim Period**").

FINANCIAL RESULTS

During the 2020 Interim Period, our Group recorded a loss attributable to its owners of approximately HK\$126.6 million (a loss attributable to owners of the Company of approximately HK\$181.7 million was recorded for the six months ended 30 June 2019 (the "**2019 Interim Period**"). Details of the financial results are described in the section headed "Management Discussion & Analysis".

The Board does not recommend the payment of any interim dividend on the ordinary shares of the Company for the 2020 Interim Period.

STRATEGIC REVIEW AND DEVELOPMENT OUTLOOK

In the first half of 2020, the global situation remained complicated and changing under the influence of growing trade protectionism and geopolitical risks. The unexpected outbreak of novel coronavirus ("**COVID-19**") posed certain harm to the global production and demand, which in turn brought heavy burden on the global economy with unpredictable consequences. Central banks of major global economies started a new round of interest rate reduction in response to the downward economic pressure, further clouding the subsequent movement of markets which have been unpredictable with uncertainties.

PLACING EXERCISES AND INTRODUCTION OF NEW SHAREHOLDERS

Unique opportunities arise in times of turbulence. We have kept abreast of times by adjusting and reviewing business strategies as well as equipping ourself with sufficient resources to seize a new round of opportunities. Having comprehensively considered the financial and business conditions of the Company, including the prolonged extremely low level of share trading liquidity, we took a significant move forward in April and May 2020 that we completed the Company's first-time equity fundraising in a decade, under which 180,556,000 new ordinary shares were issued by placing, representing around 28.6% of existing number of ordinary shares in issue, raising a total of approximately HK\$180 million and successfully introducing new shareholders, including Sino-Ocean Capital Holding Limited ("**Sino-Ocean Capital**"), the ordinary shareholding of which accounts for approximately 14.3% of existing number of ordinary shares in issue. Accordingly, the ordinary shareholding of Sino-Ocean Group Holding Limited ("**Sino-Ocean Group**"), the largest shareholder of the Company, has decreased to approximately 49.5%.

Chairman's Statement

There were changes to the Board composition in June 2020 and July 2020, including the appointment of Mr. TANG Runjiang, the chief financial officer of Sino-Ocean Capital, as a member of the audit committee and the investment committee of the Board, and the resignation of Mr. LI Ming (myself), as non-executive Director and the honorary chairman of the Board so as to devote more time to my other commitments as the chief executive officer of Sino-Ocean Group, with Mr. SUM Pui Ying, an executive Director of the Company, appointed as the successor to the chairman post.

In the second half of 2020, we will continue to explore, adjust and review our business strategies in hope of exploring the possibility of developing closer cooperative ties with our new shareholder, i.e. Sino-Ocean Capital, through diversified means, including but not limited to further placing exercise, enhancing its presence on the Board, etc. Thus we can explore ways to further expand and deepen our cooperation, including but not limited to resource sharing in business operations and cooperation in projects. With all these efforts, we envisage synergy effects can be generated in the near future to achieve mutual benefits and resource sharing.

REFINEMENT ON AND ADJUSTMENT OF THE U.S. CORE BUSINESS MODEL

During the 2020 Interim Period, our Group's principal business continued to focus on business related to commercial and residential real estate with a geographical presence mainly in the United States of America (the "U.S.") and Hong Kong, particularly the U.S. real estate related investments which accounted for about 43% of our total assets. Our local strategic partner in the U.S., i.e. Gemini-Rosemont Realty LLC ("**GR Realty**"), a real estate fund platform, lies at the very core of our Group's business strategies in the U.S.. In addition to holding of 45% membership interests in GR Realty and sharing of its profit or loss, our Group also formulated the overall investment strategy in the U.S. through close cooperation with GR Realty. GR Realty managed and operated for us all of our U.S. investment projects. In the U.S., GR Realty has three regional operation centers located in Los Angeles, New York, and Dallas, respectively, and a number of U.S. based property management offices with approximately 130 professionals. As affected by the overall environment, our Group and GR Realty made a downward adjustment to the valuation of certain real estate projects we and GR Realty invested and managed in the U.S., especially properties intended for sale in non-core markets of the U.S., on a prudent basis during the 2020 Interim Period.

In this new economic-driven era, we witnessed changes in the behaviour of investors and operators. Our Group, together with GR Realty, has started repositioning the real estate business in the U.S. since 2019, and also better positioned itself to primarily tap into the first tier and gateway markets which are technology-driven in nature in the U.S. by active implementation of and alignment with new operating strategies. At the same time, we have begun consolidating internal operational efficiency in response to changes in the markets. The emergence of COVID-19 pandemic has not only hastened changes in the behaviour and risk appetite of investors and operators, but also prompted new changes, either temporary or long term, especially in commercial real estate business. After categorisation and analysis, we have also incorporated these observations into our overall business positioning strategy.

Chairman's Statement

Meanwhile, we shall make refinement on our cooperation model with GR Realty, so as to strengthen our control over the operating committee of GR Realty without any changes in our shareholding in GR Realty. It will enable us to exercise our control over GR Realty and therefore take a more active role in the management of the business of GR Realty, and achieve better resource sharing and complement each other in terms of advantages and team support to prospectively seize the next wave of business opportunities under the new model.

Suffering from the setback brought by the COVID-19 pandemic, 2020 is doomed to be an uneasy year, inevitably upsetting the global economy in particular China and the U.S.. Nevertheless, we believe more investment opportunities will emerge after short-term pressures and adjustments. The opportunity hidden in adversity will bring us prosperity. When the COVID-19 pandemic starts fading out, we will continue to further step up capital investment in our U.S. business centering around GR Realty to strengthen and consolidate the core competitiveness of GR Realty as well as making efforts in acquisition and management of more high-quality assets in order to expand asset scale and market presence.

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 unwavering support and to our dedicated staff at all levels for their commitment and contributions.

LI Ming

Honorary Chairman

Hong Kong, 30 July 2020

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue and Other Income

During the 2020 Interim Period, our Group recorded revenue of approximately HK\$56.6 million (2019 Interim Period: approximately HK\$60.4 million), which mainly represented rental income from our investment properties of approximately HK\$55.2 million (2019 Interim Period: approximately HK\$59.7 million). Other income of our Group was approximately HK\$16.6 million for the 2020 Interim Period (2019 Interim Period: approximately HK\$17.3 million), which mainly included interest income relating to loan receivables from a joint venture of our Group of approximately HK\$12.6 million (2019 Interim Period: approximately HK\$12.7 million).

Other Expenses

Other expenses of our Group were approximately HK\$41.9 million for the 2020 Interim Period (2019 Interim Period: approximately HK\$47.7 million). Other expenses included direct operating expenses arising from investment properties held by our Group of approximately HK\$17.2 million (2019 Interim Period: approximately HK\$18.2 million) and general operating costs of our Group of approximately HK\$24.7 million (2019 Interim Period: approximately HK\$29.5 million), such as rent and rate, 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

During the 2020 Interim Period, loss attributable to owners of the Company decreased from approximately HK\$181.7 million for the 2019 Interim Period to approximately HK\$126.6 million for the 2020 Interim Period. The loss was mainly due to the following reasons (further elaborated in the various subsections respectively headed “Real Estate Fund Platform”, “Fund Investments” and “Securities Investments” under “Operation Review” below):—

- (i) loss arising from share of results of joint ventures of approximately HK\$64.4 million;
- (ii) loss arising from changes in fair value of financial assets at fair value through profit and loss of approximately HK\$30.8 million;
- (iii) loss arising from changes in fair value of financial instruments held for trading of approximately HK\$50.0 million; and
- (iv) offsetting by reversal of provision for impairment loss on loan receivables from a joint venture of our Group of approximately HK\$34.9 million.

Consequently, our Group recorded basic loss per ordinary share of approximately HK\$0.25 for the 2020 Interim Period (2019 Interim Period: loss per ordinary share of approximately HK\$0.40). No adjustment was made on the diluted loss per ordinary share for the 2020 and 2019 Interim Periods as the impact of the outstanding share options and convertible preference shares of the Company (“**Convertible Preference Shares**”) has an anti-dilutive effect on the basic loss per ordinary share.

Management Discussion & Analysis

Financial Resources and Liquidity

As at 30 June 2020, our Group's net asset value (after deduction of equity attributable to Convertible Preference Shares) was approximately HK\$3.5 billion.

Our Group had bank balances and cash in total amounting to approximately HK\$922.1 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$975.2 million). As at 30 June 2020, the total borrowings of our Group amounted to approximately HK\$767.5 million (as at 31 December 2019: approximately HK\$672.6 million) and our Group did not have any gearing on a net debt basis as at 30 June 2020 and 31 December 2019 as the total cash resources of our Group were sufficient to pay off all borrowings then. The net gearing ratio of our Group is calculated based on total borrowings less cash resources divided by total shareholders' equity.

To finance its operations, our Group utilises cash flow generated from business operations and maintains multiple channels of funding sources including bank borrowings. As of 30 June 2020, the outstanding principal amount of our bank borrowings was approximately US\$98.3 million (equivalent to approximately HK\$761.9 million) (as at 31 December 2019: approximately US\$85.3 million (equivalent to approximately HK\$664.3 million)), of which borrowings of approximately US\$54.3 million bear interests at fixed rate of 3.72% per annum and are repayable in 2028, and borrowings of approximately US\$44.0 million bear interests at floating interest rate with average of 3.7% per annum for the 2020 Interim Period and are repayable in 2020. Finance costs (net of interest capitalisation) of approximately HK\$7.9 million on the above bank borrowings were recognised during the 2020 Interim Period accordingly (2019 Interim Period: approximately HK\$8.8 million).

Given our adaptable financial management policy, we are confident about sustaining our financial liquidity to support our business expansion and maintaining overall financial healthiness in the coming years.

Capital Reduction involving Cancellation of Convertible Preference Shares

For the purpose of further enhancing the Company's ability and flexibility in potential dividend distribution in future, on 28 February 2020, the Company entered into a deed of cancellation with Grand Beauty Management Limited ("**Grand Beauty**"), a wholly-owned subsidiary of Sino-Ocean Group, to cancel 31,666,667 Convertible Preference Shares held by Grand Beauty, representing approximately 4.03% of all the Convertible Preference Shares then in issue. The capital reduction became effective on 4 June 2020, and a credit in the amount of approximately HK\$95.0 million has arose from the capital reduction and been transferred and credited to a capital reduction reserve account of the Company, which will be available to set off against any losses of the Company and/or to make distribution to its shareholders in the future when appropriate.

Management Discussion & Analysis

New Shares Issuance

On 3 April 2020, the Company entered into three subscription agreements with (i) Hongkong Presstar Enterprise Co., Limited ("**Presstar**"), (ii) Trend Best Investment Limited ("**Trend Best**") and (iii) Glory Class Ventures Limited ("**Glory Class**") respectively, and Presstar, Trend Best and Glory Class respectively agreed to conditionally subscribe for 45,139,000, 45,139,000 and 90,278,000 new ordinary shares of the Company (representing a total of 180,556,000 new ordinary shares of the Company) (collectively the "**Subscription Shares**") at the subscription price of HK\$1.00 per Subscription Share (collectively the "**Placing Exercises**"). The subscription price of HK\$1.00 per Subscription Share under the Placing Exercises represented a premium of approximately 81.8% to the closing price of HK\$0.550 per ordinary share of the Company as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 April 2020.

The subscription by each of Presstar and Trend Best was completed on 17 April 2020, raising gross proceeds and net proceeds in total of approximately HK\$90.3 million and HK\$89.6 million respectively. The net price per Subscription Share is approximately HK\$0.993.

The subscription by Glory Class, which is ultimately owned as to 49% by Sino-Ocean Group, was completed on 27 May 2020, and a total of 90,278,000 new ordinary shares of the Company had been issued to Estate Spring International Limited (a wholly-owned subsidiary of Glory Class), raising gross proceeds and net proceeds of approximately HK\$90.3 million and HK\$89.6 million respectively. The net price per Subscription Share is approximately HK\$0.993.

The Placing Exercises were considered as ways to further strengthen our financial position, and also as steps to improve the liquidity of the ordinary shares of the Company on the Stock Exchange as the transaction volume of our ordinary shares is constantly thin.

The Company's utilisation plan of the net proceeds from the Placing Exercises remained unchanged as at 30 June 2020 as compared to that disclosed in the Company's announcements and circular for the Placing Exercises. The Company intended to use around US\$10 million to US\$12 million (equivalent to approximately HK\$77.5 million to HK\$93.0 million), representing approximately 43% to 52% of the aggregate net proceeds from the Placing Exercises, for the investment in a real estate related project in the Metropolitan Area of the State of New York, and the remaining balance of the net proceeds was intended to be used as general working capital of our Group. Subject to the emerging opportunities, the Company considered applying the remaining balance of the net proceeds and other available cash resources of the Company for other good real estate investments in the U.S., if the investments would be in the interests of the Company and its shareholders as a whole.

Management Discussion & Analysis

Even though our Group has been actively looking for good investment opportunities, as business activities maintained at a very inactive mode globally as a result of the wide spread of the COVID-19 pandemic during the second quarter of 2020, our Group had yet to make any investment nor utilise as working capital of our Group out of the net proceeds from the Placing Exercises as at 30 June 2020.

Financial Guarantees

As at 30 June 2020, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 30 June 2020, our Group had pledged bank deposits amounting to approximately HK\$5.2 million (as at 31 December 2019: approximately HK\$8.6 million) and pledged investment properties in the U.S. with a carrying value of approximately US\$93.3 million (equivalent to approximately HK\$723.1 million) (as at 31 December 2019: approximately US\$92.1 million (equivalent to approximately HK\$717.3 million)), both as securities to secure a long-term bank borrowing of our Group of approximately US\$54.3 million (equivalent to approximately HK\$420.8 million) (as at 31 December 2019: approximately US\$54.3 million (equivalent to approximately HK\$422.9 million)).

Deposits of approximately HK\$11.7 million was placed in a bank for trading of financial instruments as at 30 June 2020 (as at 31 December 2019: Nil) and will be repayable to our Group upon the settlement or sale of the financial instruments.

OPERATION REVIEW

Real Estate Fund Platform

During the 2020 Interim Period, our Group recorded a share of loss of GR Realty and certain syndicated projects controlled by GR Realty (recorded as “share of results of joint ventures” of our Group) of approximately HK\$64.4 million (2019 Interim Period: a share of loss of approximately HK\$46.2 million). The loss was mainly as a result of lower fair value of investment properties and additional provision made by GR Realty during the 2020 Interim Period, especially on those investment properties in the non-core markets of the U.S. which are on the planned disposal list, as a result of global market turbulence. The negative impact, especially as a result of COVID-19 pandemic, is expected to continue in the second half of 2020, and we will closely monitor the impact.

As at 30 June 2020, our total capital contribution to GR Realty and certain syndicated projects that it controlled was approximately US\$118.6 million (equivalent to approximately HK\$919.6 million). As at 30 June 2020, our investment in GR Realty, together with certain syndicated projects controlled by GR Realty, had a carrying value of approximately HK\$798.1 million, representing about 11.2% of our Group’s total assets as at 30 June 2020 (as at 31 December 2019: approximately HK\$861.7 million).

Other than investment in GR Realty and certain syndicated projects of GR Realty, our Group maintained loan receivables from GR Realty of approximately HK\$406.2 million (as at 31 December 2019: approximately HK\$373.4 million). During the 2020 Interim Period, our Group recorded loan interest income of approximately HK\$12.6 million on the loan receivables from GR Realty (2019 Interim Period: approximately HK\$12.7 million).

Management Discussion & Analysis

Also our Group recognised a reversal of provision of impairment loss on such loan receivables from GR Realty of approximately HK\$34.9 million (2019 Interim Period: provision of impairment loss of approximately HK\$54.5 million). Our Group re-assessed the credit risk of loan receivables from GR Realty as at 30 June 2020. GR Realty possesses stable cash inflows arising from rental income generated by its investment properties, solid and achievable business plan with resources and management abilities, which proves its ability to repay loans when they become due. Besides, with reference to reasonable and supportive industrial comparables, as well as similar industry market condition insight and other related factors, our Group adopts estimate on the expected credit loss rate of 6% as at 30 June 2020, which is considered prudence and reasonable.

As at 30 June 2020, GR Realty, in which our Group has 45% membership interests, acted as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the U.S., especially commercial properties. It engaged in the ownership and/or management of its investment portfolio, comprising over 34 commercial properties (50 buildings), with over 8.0 million square feet in 14 states across the U.S.. GR Realty kept up with its investment plan to focus on investments in tech-driven, high potential markets in the U.S. During the 2020 Interim Period the management of GR Realty continued to take actions as and when necessary and appropriate, and our Group worked closely with the management of GR Realty, to monitor our investment in GR Realty and took appropriate actions from time to time.

As at 30 June 2020, our Group owned and operated a premier office campus (the “**Office Campus**”) in the heart of San Francisco Peninsula, California, the U.S. with gross floor area of approximately 159,000 square feet. Such investment was recorded as investment property with a carrying value of approximately US\$93.3 million (equivalent to approximately HK\$723.1 million) (as at 31 December 2019: approximately US\$92.1 million (equivalent to approximately HK\$717.3 million)) and recorded rental revenue of approximately HK\$37.1 million for the 2020 Interim Period (2019 Interim Period: approximately HK\$42.2 million). It was being 100% leased to an investment grade credit-backed tenant.

Subsequent to the 2020 Interim Period, our Group has obtained control in GR Realty, so as to take a more active role in the management of the business of GR Realty. Details are elaborated in the section headed “Subsequent events after the reporting period” below.

Property Investments and Development

During the 2020 Interim Period, our Group’s investment properties (excluding the Office Campus) recorded a rental revenue of approximately HK\$18.1 million (2019 Interim Period: approximately HK\$17.5 million), comprising rental income of approximately HK\$12.7 million and HK\$5.4 million from investment properties in U.S. and Hong Kong, respectively. Revaluation loss of our investment properties (excluding the Office Campus) of approximately HK\$10.6 million was recognised during the 2020 Interim Period (2019 Interim Period: revaluation gain of approximately HK\$14.0 million).

As at 30 June 2020, our Group held investment properties comprising A-grade offices and residential units in the U.S. with gross floor area of approximately 163,000 square feet and carrying value of approximately HK\$351.6 million, as well as A-grade office premises, residential unit and car parking space in Hong Kong with gross floor area of approximately 18,800 square feet and carrying value of approximately HK\$441.7 million. The average occupancy rate (based on square feet) was approximately 79.7% as at 30 June 2020 for all the above investment properties.

Management Discussion & Analysis

As at 30 June 2020, our development project located in 531-537, 539th Sixth Avenue of Manhattan, New York City, had a carrying value of approximately HK\$772.8 million (as at 31 December 2019: approximately HK\$685.9 million). This development project will comprise a 13-storey mixed-use residential property with estimated gross floor area of approximately 82,000 square feet, which will be structured with unique product types with splendid amenities including duplex units which are in scarcity in Manhattan. The final completion of the development is expected in the second half of 2021.

Fund Investments

During the 2020 Interim Period, our fund investment portfolio (classified as “financial assets at fair value through profit or loss”) recorded loss of approximately HK\$30.8 million (2019 Interim Period: loss of approximately HK\$70.4 million), as certain equity investments held by the funds recorded weak performance and loss during the 2020 Interim Period, while other investments recorded stable return. There was no dividend income received/receivable from fund investments during the 2020 and 2019 Interim Periods.

Our fund investment portfolio includes unlisted equity investments and fund investments, with carrying value of approximately HK\$2,184.4 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$2,215.4 million).

The funds are advised by the independent investment managers, with their diversified investment portfolio, strategy and expertise, which focus on different industries such as property and property-related value chain industries, technology industries and new economy industries.

Apart from the significant fund investments disclosed below, there were other fund investments held by our Group, which mainly invested in global securities in diversified industries, with fair value of approximately HK\$439.9 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$420.9 million).

As at 30 June 2020, significant fund investments held by our Group include the following:

- ***Neutron Property Fund Limited (the “Property Fund”)***

As at 30 June 2020, our Group held 1,012,000 (as at 31 December 2019: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund incorporated in the Cayman Islands. The investment cost was US\$100.0 million. Such shares held by our Group represented 100% of the same class of shares issued by the Property Fund as at 30 June 2020. The fair value of our investment in the Property Fund as at 30 June 2020 was approximately US\$88.6 million (equivalent to approximately HK\$686.6 million and representing about 9.6% of our Group’s total assets as at 30 June 2020) (as at 31 December 2019: approximately US\$98.3 million (equivalent to approximately HK\$765.3 million)).

Management Discussion & Analysis

The Property Fund is managed by BRIC Neutron Asset Management Limited (the “**BNAM**”), a company incorporated under the laws of Hong Kong. The investment strategy of the Property Fund is to achieve capital appreciation through investing substantially all of its assets available for investment in 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 30 June 2020, the principal assets of the Property Fund included diversified real estate portfolios in the U.S. and Hong Kong. Certain of such investments in the U.S. recorded significant decrease in value as a result of the global market turbulence during the 2020 Interim Period, resulting in a fair value loss of approximately HK\$78.7 million on the investment in the Property Fund. There was no dividend income received/receivable from the Property Fund during the 2020 Interim Period.

- ***Neutron Private Equity Fund Limited (the “Private Equity Fund”)***

As at 30 June 2020, our Group held 637,000 (as at 31 December 2019: 637,000) non-redeemable, non-voting participating shares of the Private Equity Fund incorporated in the Cayman Islands. The investment cost was US\$64.5 million. Such shares held by our Group represented 100% of the same class of shares issued by the Private Equity Fund as at 30 June 2020. The fair value of our investments in the Private Equity Fund as at 30 June 2020 was approximately US\$71.6 million (equivalent to approximately HK\$554.8 million and representing about 7.8% of our Group’s total assets as at 30 June 2020) (as at 31 December 2019: approximately US\$71.3 million (equivalent to approximately HK\$555.3 million)).

The Private Equity Fund is managed by BNAM. The investment strategy of the Private Equity Fund is to achieve 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 30 June 2020, the principal assets of the Private Equity Fund mainly included various debts instruments with underlying assets of real estate projects and low risk securities. Fair value loss of approximately HK\$0.5 million was recorded for the investment in the Private Equity Fund during the 2020 Interim Period. There was no dividend income received/receivable from the Private Equity Fund during the 2020 Interim Period.

- ***Prosperity Risk Balanced Fund LP (the “PRB Fund”)***

Our Group had capital commitments for a total amount of US\$60.0 million as 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 of all the investors of the PRB Fund. As at 30 June 2020, our Group had already invested US\$59.7 million in the PRB Fund, and such investment had a fair value of approximately US\$64.9 million (equivalent to approximately HK\$503.0 million and representing about 7.0% of our Group’s total assets as at 30 June 2020) (as at 31 December 2019: approximately US\$60.9 million (equivalent to approximately HK\$474.0 million)).

Management Discussion & Analysis

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 with investments in real estates in China with an expected return of not less than 6% per annum; and to invest in other investment funds. As at 30 June 2020, the assets of the PRB Fund mainly included 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. As a result of the good performance of certain funds it invested, a fair value gain of approximately HK\$29.0 million was recorded for the investment in the PRB Fund during the 2020 Interim Period. There was no dividend income received/receivable from the PRB Fund during the 2020 Interim Period.

Securities Investments

During the 2020 Interim Period, our Group recorded loss from securities investment (classified as financial instruments held for trading) of approximately HK\$50.0 million (2019 Interim Period: loss of approximately HK\$4.5 million) amid the volatile global capital market caused by the fast-spreading of the COVID-19 pandemic, and recorded dividend income of approximately HK\$1.4 million (2019 Interim Period: approximately HK\$0.7 million).

As at 30 June 2020, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong and overseas of approximately HK\$465.3 million (as at 31 December 2019: approximately HK\$286.3 million).

EMPLOYEES

As at 30 June 2020, the total number of staff employed was 32 (as at 31 December 2019: 30). During the 2020 Interim Period, the level of our overall staff cost was approximately HK\$10.9 million (2019 Interim Period: approximately HK\$12.4 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 30 June 2020, our Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2020, our Group had capital commitments of approximately HK\$246.9 million (as at 31 December 2019: approximately HK\$325.0 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.

Management Discussion & Analysis

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 31 July 2020, our Group and other members of GR Realty entered into an agreement to revise provisions regarding proceedings of the operating committee of GR Realty (the “**Operating Committee**”) in the operating agreement of GR Realty (the “**NewSub Operating Agreement**”) (the “**Agreement**”).

The NewSub Operating Agreement (as amended, restated or otherwise modified from time to time) provides for the management of the business and the affairs of GR Realty, the allocation of profits and losses, the distribution of cash of GR Realty among the members, the rights, obligations and interests of the members to each other and to GR Realty, and certain other matters.

A summary of the key provisions of the Agreement is set out below:

- the Operating Committee shall comprise six managers, (i) three of whom shall be appointed by our Group as a member holding Class A units in GR Realty (“**Class A Member**”); (ii) one of whom shall be appointed by the Property Fund as Class A Member; (iii) one of whom shall be appointed by the Property Fund as a member holding Class B units in GR Realty (“**Class B Member**”); and (iv) one of whom shall be appointed by Garfield Group Partners LLC as Class B Member;
- all actions of the Operating Committee require the approval of simple majority vote of the managers; and
- in the event of a deadlock in respect of any actions of the Operating Committee, the managers designated by a majority in interest of the Class A Members shall determine such action.

As a result of the Agreement, our Group has obtained control in GR Realty while our Group’s underlying equity interest in GR Realty (i.e. 45%) remains unchanged. Before the date of the Agreement, GR Realty has been classified as a joint venture of our Group and accounted for using the equity method in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRS**”). After discussion between the Company and its auditor, they agreed that GR Realty shall be classified as a subsidiary of the Company and the operating performance and financial position of GR Realty shall be consolidated into the financial statements of our Group under the HKFRS after the date of the Agreement.

The Company considers that the Agreement enables our Group to exercise control over GR Realty and therefore take a more active role in the management of the business of GR Realty, including the identification and selection of investment opportunities and the financing of these opportunities. In addition, our Group shall be able to fully leverage on the expertise and relationships of the management team of GR Realty, who have many years of investment experience in the acquisition, management and disposition of commercial real properties in the U.S..

Independent Review Report



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To the Board of Directors of Gemini Investments (Holdings) Limited

盛洋投資(控股)有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 54, which comprises the condensed consolidated statement of financial position of Gemini Investments (Holdings) Limited (the “Company”) as of 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong, 30 July 2020

Condensed Consolidated Income Statement

For the six months ended 30 June 2020

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------|-------------|
| | | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Sales proceeds from disposal of financial instruments held for trading | 4 | 638,820 | 359,874 |
| Revenue | 6 | 56,603 | 60,448 |
| Other income | 6 | 16,555 | 17,274 |
| Employee costs | | (10,926) | (12,360) |
| Depreciation | | (3,092) | (967) |
| Other expenses | | (41,933) | (47,656) |
| Loss arising from changes in fair value of financial instruments held for trading | | (49,986) | (4,458) |
| Loss arising from changes in fair value of financial assets at fair value through profit or loss | | (30,819) | (70,355) |
| (Loss)/gain arising from changes in fair value of investment properties | 11 | (1,304) | 16,319 |
| Share of results of joint ventures | 12 | (64,436) | (46,183) |
| Reversal of/(provision for) impairment loss on financial assets | 14 | 34,861 | (54,501) |
| Finance costs | 7 | (8,803) | (14,950) |
| Loss before income tax | | (103,280) | (157,389) |
| Income tax | 8 | (297) | (5,062) |
| Loss for the period | | (103,577) | (162,451) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (126,623) | (181,747) |
| Non-controlling interests | | 23,046 | 19,296 |
| | | (103,577) | (162,451) |
| Loss per share for loss attributable to owners of the Company | 9 | | |
| — Basic (HK dollar) | | (0.25) | (0.40) |
| — Diluted (HK dollar) | | (0.25) | (0.40) |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period | (103,577) | (162,451) |
| Other comprehensive income: | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Exchange differences on translation of foreign operations | (5,021) | (3,635) |
| Share of other comprehensive income of joint ventures | — | (30,705) |
| <i>Item that will not be reclassified to profit or loss</i> | | |
| Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties | — | 20,256 |
| Other comprehensive income for the period | (5,021) | (14,084) |
| Total comprehensive income for the period | (108,598) | (176,535) |
| Total comprehensive income attributable to: | | |
| Owners of the Company | (131,644) | (195,831) |
| Non-controlling interests | 23,046 | 19,296 |
| | (108,598) | (176,535) |

Condensed Consolidated Statement of Financial Position

At 30 June 2020

| | | At 30 June 2020 | At 31 December 2019 |
|---|-------|-------------------------|---------------------------|
| | Notes | HK\$'000 (Unaudited) | HK\$'000 (Audited) |
| Non-current assets | | | |
| Investment properties | 11 | 1,516,356 | 1,522,774 |
| Property, plant and equipment | | 8,634 | 11,423 |
| Interests in joint ventures | 12 | 798,091 | 861,678 |
| Financial assets at fair value through profit or loss | 13 | 2,190,535 | 2,221,354 |
| Loan receivables | 14 | — | 37,674 |
| Restricted bank deposits | 15 | 1,112 | 1,486 |
| Deferred tax assets | | 9,675 | 9,722 |
| | | 4,524,403 | 4,666,111 |
| Current assets | | | |
| Deposits, prepayments and other receivables | | 50,072 | 46,618 |
| Properties under development | | 772,803 | 685,918 |
| Loan receivables | 14 | 406,180 | 335,735 |
| Financial instruments held for trading | | 465,325 | 286,286 |
| Restricted bank deposits | 15 | 15,793 | 7,070 |
| Cash and bank balances | | 922,082 | 975,181 |
| | | 2,632,255 | 2,336,808 |
| Current liabilities | | | |
| Other payables and accrued charges | | 58,512 | 61,386 |
| Financial instruments held for trading | | 1,158 | — |
| Amount due to an intermediate holding company | 16 | 491,465 | 491,758 |
| Taxation payable | | 1,634 | 2,005 |
| Borrowings | 17 | 345,736 | 246,486 |
| | | 898,505 | 801,635 |
| Net current assets | | 1,733,750 | 1,535,173 |
| Total assets less current liabilities | | 6,258,153 | 6,201,284 |

Condensed Consolidated Statement of Financial Position

At 30 June 2020

| | | At 30 June 2020 | At 31 December 2019 |
|---|-------|-------------------------|---------------------------|
| | Notes | HK\$'000 (Unaudited) | HK\$'000 (Audited) |
| Capital and reserves | | | |
| Share capital | 18 | 366,009 | 185,453 |
| Reserves | | 5,128,760 | 5,260,630 |
| | | 5,494,769 | 5,446,083 |
| Equity attributable to owners of the Company | | 313,295 | 300,764 |
| Non-controlling interests | | | |
| Total equity | | 5,808,064 | 5,746,847 |
| Non-current liabilities | | | |
| Borrowings | 17 | 421,758 | 426,094 |
| Deferred tax liabilities | | 28,331 | 28,343 |
| | | 450,089 | 454,437 |
| Total equity and non-current liabilities | | 6,258,153 | 6,201,284 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| (Unaudited) | Share capital | Convertible preference shares reserve | Perpetual bond | Capital contribution reserve | Capital reduction reserve | Share option reserve | Revaluation surplus reserve | Translation reserve | Retained profits | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|--|----------------|---------------------------------------|-------------------|------------------------------|---------------------------|----------------------|-----------------------------|---------------------|------------------|--|---------------------------|------------------|
| | (Note 18) | (Note 19) | (Note 20) | reserve | reserve | reserve | reserve | reserve | profits | Company | interests | 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 |
| 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 |
| (Loss)/profit for the period | — | — | — | — | — | — | — | — | (126,623) | (126,623) | 23,046 | (103,577) |
| Other comprehensive income | | | | | | | | | | | | |
| — Exchange difference arising on translation of foreign operations | — | — | — | — | — | — | — | (5,021) | — | (5,021) | — | (5,021) |
| Total comprehensive income for the period | — | — | — | — | — | — | — | (5,021) | (126,623) | (131,644) | 23,046 | (108,598) |
| Distribution paid to the holder of perpetual bond | — | — | — | — | — | — | — | — | (226) | (226) | — | (226) |
| Distribution paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | (10,515) | (10,515) |
| Share allotment (note 18) | 180,556 | — | — | — | — | — | — | — | — | 180,556 | — | 180,556 |
| Capital reduction (note 19) | — | (94,968) | — | — | 94,968 | — | — | — | — | — | — | — |
| Transfer arising from capital reduction (note 19) | — | — | — | — | (94,968) | — | — | — | 94,968 | — | — | — |
| Vested share options forfeited | — | — | — | — | — | (296) | — | — | 296 | — | — | — |
| Balance at 30 June 2020 | 366,009 | 2,260,565* | 2,259,504* | 308,190* | — | 22,040* | 20,256* | 6,906* | 251,299* | 5,494,769 | 313,295 | 5,808,064 |

* The total of these balances represents reserves in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| (Unaudited) | Share capital | Convertible preference shares reserve | Perpetual bond | Capital contribution reserve | Share option reserve | Revaluation surplus reserve | Hedging reserve [#] | Translation reserve | Retained profits | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|----------------|---------------------------------------|------------------|------------------------------|----------------------|-----------------------------|------------------------------|---------------------|------------------|--|---------------------------|------------------|
| | (Note 18) | (Note 19) | (Note 20) | | | | | | | | | |
| | 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 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 |
| (Loss)/profit for the period | — | — | — | — | — | — | — | — | (181,747) | (181,747) | 19,296 | (162,451) |
| Other comprehensive income | | | | | | | | | | | | |
| — Exchange difference arising on translation of foreign operations | — | — | — | — | — | — | — | (3,635) | — | (3,635) | — | (3,635) |
| — Share of other comprehensive income of joint venture | — | — | — | — | — | — | (30,705) | — | — | (30,705) | — | (30,705) |
| — Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties | — | — | — | — | — | 20,256 | — | — | — | 20,256 | — | 20,256 |
| Total comprehensive income for the period | — | — | — | — | — | 20,256 | (30,705) | (3,635) | (181,747) | (195,831) | 19,296 | (176,535) |
| Distribution paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | (9,448) | (9,448) |
| Balance at 30 June 2019 | 185,453 | 2,355,533 | 2,259,504 | 308,190 | 22,336 | 20,256 | (30,705) | 16,334 | 196,302 | 5,333,203 | 286,679 | 5,619,882 |

[#] The hedging reserve relates to the Group's share of the hedging reserve under joint ventures.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities | | |
| Loss before income tax | (103,280) | (157,389) |
| Adjustments for: | | |
| Depreciation | 3,092 | 967 |
| Loss arising from changes in fair value of financial instruments held for trading | 49,986 | 4,458 |
| Loss arising from changes in fair value of financial assets at fair value through profit or loss | 30,819 | 70,355 |
| Share of results of joint ventures | 64,436 | 46,183 |
| Loss/(gain) arising from changes in fair value of investment properties | 1,304 | (16,319) |
| Finance costs | 8,803 | 14,950 |
| Interest income from bank deposits | (2,324) | (4,152) |
| Other interest income | (12,634) | (12,686) |
| (Reversal of)/provision for impairment loss on financial assets | (34,861) | 54,501 |
| | 5,341 | 868 |
| Operating profit before working capital changes | 5,341 | 868 |
| Increase in deposits and prepayments | (3,454) | (12,818) |
| (Increase)/decrease in restricted bank deposits | (8,349) | 37,236 |
| Increase in properties under development | (84,750) | (72,624) |
| (Increase)/decrease in financial instruments held for trading | (227,867) | 14,755 |
| Decrease in other payables and accrued charges | (3,433) | (31,425) |
| | (322,512) | (64,008) |
| Cash used in operations | (322,512) | (64,008) |
| Income tax paid | (1,175) | (4,487) |
| | (323,687) | (68,495) |
| Net cash used in operating activities | (323,687) | (68,495) |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (307) | — |
| Interest received | 14,958 | 16,839 |
| Net cash generated from investing activities | 14,651 | 16,839 |
| Cash flows from financing activities | | |
| New bank borrowing | 100,755 | 93,782 |
| Distribution paid to non-controlling interests | (10,515) | (9,448) |
| Distribution paid to holder of perpetual bond | (226) | — |
| Payment of interest element of lease liabilities | (573) | (375) |
| Payment of principal element of lease liabilities | (2,640) | (110) |
| Interest paid | (13,325) | (14,862) |
| Proceeds from issue of shares | 180,556 | — |
| (Decreased)/increased in amount due to an intermediate holding company | (293) | 227,995 |
| Net cash generated from financing activities | 253,739 | 296,982 |
| Net (decrease)/increase in cash and cash equivalents | (55,297) | 245,326 |
| Cash and cash equivalents at beginning of the period | 975,181 | 816,569 |
| Effect of foreign exchange rate changes | 2,198 | (1,098) |
| Cash and cash equivalents at end of the period | 922,082 | 1,060,797 |
| Analysis of the balances of cash and cash equivalents | | |
| Short-term bank deposits | 107,512 | 196,627 |
| Cash and bank balances | 814,570 | 864,170 |
| | 922,082 | 1,060,797 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. GENERAL INFORMATION

The unaudited condensed consolidated financial statements of Gemini Investments (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2019 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company will deliver the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies in Hong Kong in due course as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Chapter 622).

These condensed consolidated interim financial statements were approved and authorised for issue on 30 July 2020.

2. BASIS OF PREPARATION

For better understanding of the financial performance achieved by the Group, the directors of the Company disclosed the sales proceeds from disposal of the financial instruments held for trading in the condensed consolidated income statement, although such disclosure is not required under Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements”.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (*Continued*)

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2019 consolidated financial statements.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included on pages 15 to 16.

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments of the Group, which are measured at fair values, as appropriate.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020.

In the current period, the Group has applied for the first time the following new or revised HKFRSs that are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

| | |
|---------------------------------|--------------------------|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |

The adoption of the above new or revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, 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 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendment to HKFRS 16 | COVID-19 Related Rent Concessions ² |

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

² Effective for annual periods beginning on or after 1 June 2020.

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

The sales proceeds of the financial instruments held for trading by the Group disposed of during the interim periods of 2020 and 2019 amounted to approximately HK\$638,820,000 and HK\$359,874,000 respectively.

The changes in fair value of financial instruments held for trading by the Group throughout the interim periods of 2020 and 2019, 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 condensed consolidated income statement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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.

Specially, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* ("HKFRS 8") are as follows:

1. Investment in fund platform — provision of management and administration services for property development project and investing in real estate fund platform.
2. Property investment and development — rental income from leasing of office properties and residential condominium as well as property development in the United States (the "US") and property development for sale of quality residential properties in Hong Kong through investment in fund.
3. Fund investments – investing in various investment funds and generating investment income.
4. Securities and other investments – investing in various securities and generating investment income.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results from operations by reportable and operating segments for the period under review:

Six months ended 30 June 2020

| | 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 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue (external) | 37,089 | 18,068 | – | 640,266 | – | 695,423 |
| Less: Sales proceeds from disposal of financial instruments held for trading | – | – | – | (638,820) | – | (638,820) |
| Inter-segment sales | – | – | – | 2,598 | (2,598) | – |
| Revenue as presented in the condensed consolidated income statement | 37,089 | 18,068 | – | 4,044 | (2,598) | 56,603 |
| Segment results | 17,451 | (2,372) | (30,751) | (50,186) | | (65,858) |
| Interest income from bank deposits | | | | | | 2,324 |
| Depreciation of property, plant and equipment (excluding right-of-use assets) | | | | | | (388) |
| Depreciation of right-of-use assets | | | | | | (2,704) |
| Finance costs | | | | | | (8,803) |
| Rental payments in respect of properties under short-term leases | | | | | | (337) |
| Unallocated corporate expenses | | | | | | (27,514) |
| Loss before income tax | | | | | | (103,280) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

Six months ended 30 June 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 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue (external) | 42,201 | 17,536 | — | 360,585 | — | 420,322 |
| Less: Sales proceeds from disposal of financial instruments held for trading | — | — | — | (359,874) | — | (359,874) |
| Inter-segment sales | — | — | — | 2,082 | (2,082) | — |
| Revenue as presented in the condensed consolidated income statement | 42,201 | 17,536 | — | 2,793 | (2,082) | 60,448 |
| Segment results | (55,511) | 20,504 | (70,290) | (6,036) | | (111,333) |
| Interest income from bank deposits | | | | | | 4,152 |
| Depreciation of property, plant and equipment (excluding right-of-use assets) | | | | | | (496) |
| Depreciation of right-of-use assets | | | | | | (471) |
| Finance costs | | | | | | (14,950) |
| Rental payments in respect of properties under short-term leases | | | | | | (2,725) |
| Unallocated corporate expenses | | | | | | (31,566) |
| Loss before income tax | | | | | | (157,389) |

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 results represent the profit or loss by each segment without allocation of interest income from bank deposits, depreciation of property, plant and equipment (excluding right-of-use assets), depreciation of right-of-use assets, finance costs, rental payments in respect of properties under short-term leases and unallocated corporate expenses (including central administration costs and directors' remuneration). This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

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

| | 30 June 2020 | 31 December 2019 |
|---------------------------------------|------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Assets | | |
| Segment assets | | |
| — Investment in fund platform | 2,097,665 | 2,103,398 |
| — Property investment and development | 1,673,501 | 1,583,259 |
| — Fund investments | 2,184,622 | 2,215,674 |
| — Securities and other investments | 764,006 | 811,217 |
| Unallocated assets | 436,864 | 289,371 |
| | <hr/> | <hr/> |
| Consolidated total assets | 7,156,658 | 7,002,919 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities | | |
| Segment liabilities | | |
| — Investment in fund platform | 440,557 | 455,638 |
| — Property investment and development | 6,259 | 6,396 |
| — Fund investments | 268 | 268 |
| — Securities and other investments | 1,348 | 190 |
| Unallocated liabilities | 900,162 | 793,580 |
| | <hr/> | <hr/> |
| Consolidated total liabilities | 1,348,594 | 1,256,072 |
| | <hr/> <hr/> | <hr/> <hr/> |

Segment assets include all assets are allocated to operating segments other than unallocated property, plant and equipment, unallocated deposits, prepayment 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities recognised during the period is as follows:

| | Six months ended 30 June | |
|-----------------|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Rental income | 55,157 | 59,737 |
| Dividend income | 1,446 | 711 |
| | 56,603 | 60,448 |

Other income of the Group recognised during the period is as follows:

| | Six months ended 30 June | |
|-----------------------|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 2,324 | 4,152 |
| Other interest income | 12,634 | 12,686 |
| Others | 1,597 | 436 |
| | 16,555 | 17,274 |

7. FINANCE COSTS

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank and other borrowings | 13,582 | 9,570 |
| Interest expenses on lease liabilities | 573 | 375 |
| Others | 302 | 5,820 |
| Less: Interest expense capitalised into properties under development (note) | (5,654) | (815) |
| | 8,803 | 14,950 |

Note: Borrowing costs have been capitalised during the period at various applicable rates ranging from 2.88% to 4.43% per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. INCOME TAX

The taxation attributable to the Group's operation comprises:

| | Six months ended 30 June | |
|----------------------------------|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | | |
| — Over provision in prior period | (40) | — |
| Overseas taxation | | |
| — Provision for the period | 337 | 1,474 |
| | 297 | 1,474 |
| Deferred taxation | — | 3,588 |
| | 297 | 5,062 |

No Hong Kong profits tax was provided for six months ended 30 June 2020 as the Group has no estimated assessable profit (six months ended 30 June 2019: Nil).

All of the Group's The People's Republic of China (the "PRC") subsidiaries are subject to PRC Enterprise Income Tax ("EIT") rate at 25% (six months ended 30 June 2019: 25%). No PRC EIT was provided for the six months ended 30 June 2020 and 2019 as there was no assessable income for the period.

Tax on profits of overseas subsidiaries is provided in accordance with relevant local laws at the applicable rates.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the adjusted loss for the period attributable to owners of the Company of HK\$126,849,000 (six months ended 30 June 2019: HK\$181,747,000) and on the weighted average number of 504,962,000 ordinary shares (six months ended 30 June 2019: 451,390,000 ordinary shares) in issue during the period.

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss attributable to owners of the Company | (126,623) | (181,747) |
| Less: Distribution paid to the holder of perpetual bond during the period | (226) | — |
| Adjusted loss attributable to owners of the Company | <u>(126,849)</u> | <u>(181,747)</u> |

(b) Diluted loss per share

No adjustment has been made to basic loss per share amount presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the impact of share option and convertible preference shares outstanding had an anti-dilutive effect on the basic loss per share amount presented.

10. INTERIM DIVIDEND

The board of directors do not recommend the payment of dividend during the current interim period (six months ended 30 June 2019: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. INVESTMENT PROPERTIES

| | 30 June 2020 | 31 December 2019 |
|---------------------------------|------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Properties in Hong Kong | 441,690 | 460,200 |
| Properties in the United States | 1,074,666 | 1,062,574 |
| | 1,516,356 | 1,522,774 |

Notes:

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

The fair values of the Group's investment properties, including office premises, residential properties and carparking space, which located in Hong Kong and the US as at 30 June 2020 and 31 December 2019 have been arrived at on the basis of valuation carried out on that dates by BMI Appraisals Limited ("BMI Appraisals"), 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 is member of the Hong Kong Institute of Surveyors.

The revaluation of investment properties during the current period gave rise to a net loss arising from changes in fair value of HK\$1,304,000 (six months ended 30 June 2019: net gain of HK\$16,319,000) which has been recognised in profit or loss. 90% (31 December 2019: 88%) of the investment properties of the Group are rented out under operating leases as at 30 June 2020. As at 30 June 2020, investment properties in the US of HK\$723,110,000 (31 December 2019: HK\$717,261,000) were pledged as collateral for a bank borrowing of HK\$420,844,000 (31 December 2019: HK\$422,880,000) as disclosed in note 17.

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

| | 30 June 2020 | 31 December 2019 |
|--|------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 1,522,774 | 1,469,245 |
| Transfer from property, plant and equipment (note) | — | 74,000 |
| Loss on revaluation of investment properties | (1,304) | (14,289) |
| Exchange realignment | (5,114) | (6,182) |
| | 1,516,356 | 1,522,774 |

Note: During the year ended 31 December 2019, the Group reclassified one of its owner-occupied offices in Lippo Centre as investment property for earning rental income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. INTERESTS IN JOINT VENTURES

| | 30 June 2020 | 31 December 2019 |
|---|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Share of net assets other than goodwill | 762,844 | 826,260 |
| Goodwill | 35,247 | 35,418 |
| | <hr/> | <hr/> |
| At the end of the period/year | 798,091 | 861,678 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | 30 June 2020 | 31 December 2019 |
|--|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 861,678 | 858,618 |
| Share of post-acquisition losses, net of tax and other comprehensive income | (64,436) | (1,150) |
| Income tax paid | 515 | 3,958 |
| Exchange realignment | 334 | 252 |
| | <hr/> | <hr/> |
| At the end of the period/year | 798,091 | 861,678 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. INTERESTS IN JOINT VENTURES (Continued)

As at 30 June 2020 and 31 December 2019, 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 |
|--------------------------------------|----------------------------|--------------------------|------------------------------|--|---|------------------|----------------------------------|
| | | | | | 30 June 2020 | 31 December 2019 | |
| Gemini-Rosemont Realty LLC | Limited liability company | The US | The US | Class A membership interests* | 45% | 45% | Property investment & management |
| Rosemont WTC Denver GPM LLC | Limited liability company | The US | The US | Membership interests [#] | 100% | 100% | Property investment & management |
| Rosemont Diversified Portfolio II LP | Limited partnership | The US | The US | 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 Arrangements, these joint arrangements are classified as joint ventures and have been included in the condensed consolidated financial statements of the Group using the equity method.
- (b) On 31 December 2014, the Group entered into the purchase, sale and contribution agreement (the "Agreement") with Neutron Property Fund Limited (the "Property Fund"), Gemini-Rosemont JV Member LLC, Garfield Group Partners LLC and Rosemont Realty, LLC ("Rosemont") to subscribe for 45%, 30%, 18.423%, 5.577% and 1% membership interests respectively in Gemini-Rosemont Realty LLC ("Gemini-Rosemont"), a limited liability company incorporated in the State of Delaware. Gemini-Rosemont acquired the businesses, assets and liabilities of Rosemont (excluding certain equity interests owned directly by Rosemont which are not transferred to Gemini-Rosemont) and the limited partnership interests in the limited partnerships of Rosemont (together with a promissory note evidencing a loan advance from Lone Rock Holdings, LLC ("Lone Rock"), one of the controlling shareholders of Rosemont, to Rosemont Dallas NCX LP, a wholly-owned subsidiary of Rosemont) owned by Lone Rock. The consideration is US\$69,152,000 (equivalent to approximately HK\$536,234,000) in which US\$9,598,000 (equivalent to approximately HK\$74,416,000) represented directly attributable costs related to the transaction.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

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

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

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

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

Gemini-Rosemont was formed under the laws of state of Delaware, domiciled in the US 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 which require the unanimous consent of the class A members. Therefore, Gemini-Rosemont is a joint arrangement. As Gemini-Rosemont is a limited liability company, the joint arrangement is classified as a joint venture accordingly.

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) (Continued)

For the six months ended 30 June 2020, the Group shared the post-acquisition loss of Gemini-Rosemont, Denver GPM LLC and Portfolio II LP amounted to US\$5,170,000, US\$2,002,000 and US\$1,120,000 respectively (equivalent to approximately HK\$40,174,000, HK\$15,558,000 and HK\$8,704,000 respectively) (six months ended 30 June 2019: US\$3,242,000, US\$1,918,000 and US\$744,000 respectively (equivalent to approximately HK\$25,362,000, HK\$15,004,000 and HK\$5,817,000 respectively)).

There was no dividend distribution received/receivable during the six months ended 30 June 2020 and 2019.

For the six months ended 30 June 2020, the Group paid income tax of approximately US\$66,000 (equivalent to approximately HK\$515,000) in respect of its direct tax obligation in Gemini-Rosemont.

For the six months ended 30 June 2019, the Group paid income tax of approximately US\$4,100 and US\$500,000 (equivalent to approximately HK\$32,000 and HK\$3,925,000 respectively) in respect of its direct tax obligation in Gemini-Rosemont and Portfolio II LP respectively.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2020 | 31 December 2019 |
|--|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Unlisted equity investments (Note (a)) | 109 | 109 |
| Club debentures (Note (b)) | 6,060 | 5,800 |
| Unlisted fund investments (Note (c)) | 2,184,366 | 2,215,445 |
| | 2,190,535 | 2,221,354 |

Notes:

- (a) As at 30 June 2020, the fair value of the Group's investment in unlisted equity securities issued by a private equity incorporated outside Hong Kong was approximately RMB97,000 (equivalent to approximately HK\$109,000) (31 December 2019: RMB98,000 (equivalent to approximately HK\$109,000)).
- (b) As at 30 June 2020, the fair value of the club debentures held by the Group was approximately HK\$6,060,000 (31 December 2019: HK\$5,800,000).

As at 30 June 2020 and 31 December 2019, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. 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 (31 December 2019: 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 30 June 2020 was approximately HK\$132,813,000 (31 December 2019: HK\$130,812,000).
- (c)(ii) At the end of the reporting period, the Group held approximately 141,000 (31 December 2019: 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 30 June 2020 was approximately HK\$164,287,000 (31 December 2019: HK\$155,812,000).
- (c)(iii) At the end of the reporting period, the Group also held approximately 110,000 (31 December 2019: 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 30 June 2020 was approximately HK\$142,841,000 (31 December 2019: HK\$134,259,000).

As at 30 June 2020 and 31 December 2019, the fair value measurement of the financial assets at fair value through profit or loss 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 (31 December 2019: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund, which incorporated in Cayman Islands and approximately 637,000 (31 December 2019: 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 30 June 2020 are approximately HK\$686,619,000 (31 December 2019: HK\$765,281,000) and approximately HK\$554,784,000 (31 December 2019: HK\$555,287,000) 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 US 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 US, Europe and/or Australia.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. 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 ("PRB Fund"), pursuant to which the Group agreed to contribute commitments for a total amount of approximately 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 30 June 2020, the fair value of the investments in PRB Fund is approximately HK\$503,022,000 (31 December 2019: HK\$473,994,000).

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.

As at 30 June 2020 and 31 December 2019, the fair value measurement of the financial assets at fair value through profit or loss as mentioned in Notes (c)(iv) and (c)(v) above was categorised within level 3 of the fair value hierarchy.

14. LOAN RECEIVABLES

| | 30 June 2020 | 31 December 2019 |
|-------------------------------------|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| <i>Current:</i> | | |
| Loans to a joint venture (Note (a)) | 406,180 | 335,735 |
| <i>Non-current:</i> | | |
| Loans to a joint venture (Note (b)) | — | 37,674 |
| | 406,180 | 373,409 |

Notes:

- (a) As at 30 June 2020, loan receivables with principal amount of US\$55,753,000 (equivalent to approximately HK\$432,106,000) (31 December 2019: US\$50,128,000 (equivalent to approximately HK\$390,389,000)) 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) As at 31 December 2019, loan receivables with principal amount of US\$5,625,000 (equivalent to approximately HK\$43,807,000) in aggregate are due from the joint venture. The loan receivables are unsecured, interest-bearing at rate of 6% per annum and repayable within 2021. Accordingly, they are classified as non-current assets at 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

14. LOAN RECEIVABLES (Continued)

As at 30 June 2020, ECLs allowance of approximately HK\$25,926,000 was provided for the current loan receivables (31 December 2019: ECLs allowance of approximately HK\$54,654,000 and approximately HK\$6,133,000 were provided for the current loan receivables and non-current loan receivables respectively).

| | Loss allowance | |
|--|-----------------|---------------------|
| | 30 June 2020 | 31 December 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| At the beginning of the period/year | 60,787 | 2,183 |
| (Reversal of)/provision for loss allowance during the period/year | (34,861) | 58,604 |
| At the end of the period/year | 25,926 | 60,787 |

15. RESTRICTED BANK DEPOSITS

As at 30 June 2020, restricted bank deposits represented pledged bank deposits amounted to approximately HK\$5,222,000 (31 December 2019: approximately HK\$8,556,000) and other deposits of approximately HK\$11,683,000 placed in a bank for trading of certain financial instruments (31 December 2019: Nil).

Certain pledged bank deposits amounted to approximately HK\$4,110,000 (31 December 2019: approximately HK\$7,070,000) were classified as current assets and the remaining balance of pledged bank deposits of approximately HK\$1,112,000 (31 December 2019: approximately HK\$1,486,000) were classified as non-current assets as at 30 June 2020. Pledged bank deposits have been used to secure the borrowing as disclosed in Note 17(b).

The other deposits are repayable to the Group upon the settlement or sale of the financial instruments.

16. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount is due to an indirect wholly-owned subsidiary of Sino-Ocean Group Holding Limited ("Sino-Ocean Group"), which indirectly held approximately 49.45% issued shares of the Company at the end of the reporting period (Note 18). It is unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. BORROWINGS

The maturity profile of the borrowings is as follows:

| | 30 June 2020 | 31 December 2019 |
|---|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| <i>Current:</i> | | |
| Bank loans | | |
| — guaranteed and repayable within 1 year (Note (a)) | 341,016 | 241,424 |
| Lease liabilities (Note (c)) | 4,720 | 5,062 |
| | 345,736 | 246,486 |
| <i>Non-current:</i> | | |
| Bank loans | | |
| — secured and repayable after 5 years (Note (b)) | 420,844 | 422,880 |
| Lease liabilities (Note (c)) | 914 | 3,214 |
| | 421,758 | 426,094 |
| | 767,494 | 672,580 |

Notes:

- (a) As at 30 June 2020, a bank borrowing amounted to US\$44,000,000 (equivalent to approximately HK\$341,016,000) (31 December 2019: US\$31,000,000 (equivalent to approximately HK\$241,424,000)) 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 Sino-Ocean Group for the bank borrowing.
- (b) As at 30 June 2020, a bank borrowing amounted to US\$54,300,000 (equivalent to approximately HK\$420,844,000) (31 December 2019: US\$54,300,000 (equivalent to approximately HK\$422,880,000)) 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 US at fair value of approximately HK\$723,110,000 (31 December 2019: approximately HK\$717,261,000) (Note 11) and restricted bank deposits amounted to approximately HK\$5,222,000 (31 December 2019: approximately HK\$8,556,000) (Note 15). A corporate guarantee was provided by Gemini-Rosemont for the bank borrowing.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. BORROWINGS (Continued)

Notes: (Continued)

(c) Future lease payments are due as follows:

| | Minimum lease payments | Interest | Present value |
|----------------------------------|---------------------------|-------------|------------------|
| | 30 June | 30 June | 30 June |
| | 2020 | 2020 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Within 1 year | 5,080 | 360 | 4,720 |
| After 1 year but within 2 years | 876 | 54 | 822 |
| After 2 years but within 5 years | 182 | 90 | 92 |
| | 6,138 | 504 | 5,634 |

| | Minimum lease payments | Interest | Present value |
|----------------------------------|---------------------------|--------------|------------------|
| | 31 December | 31 December | 31 December |
| | 2019 | 2019 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Audited) | (Audited) | (Audited) |
| 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 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

18. SHARE CAPITAL

| | 30 June 2020 | 30 June 2020 | 31 December 2019 | 31 December 2019 |
|---------------------------------|--------------------|-----------------|---------------------|---------------------|
| | Number | HK\$'000 | Number | HK\$'000 |
| | (Unaudited) | | (Audited) | |
| Ordinary shares | | | | |
| At beginning of the period/year | 451,390,000 | 185,453 | 451,390,000 | 185,453 |
| Allotment and issue of shares | 180,556,000 | 180,556 | — | — |
| At the end of the period/year | 631,946,000 | 366,009 | 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.

During the six months ended 30 June 2020, the Company completed the allotment and issue of 90,278,000 ordinary shares of HK\$1 each under general mandate and 90,278,000 ordinary shares of HK\$1 each under specific mandate. These ordinary shares rank pari passu in all respects among themselves and with other existing ordinary shares. Details of the allotment and issue of these shares are set out in the announcements of the Company dated 3 April 2020, 17 April 2020 and 27 May 2020 and the Company's circular dated 28 April 2020.

After the completion of the subscriptions mentioned above, Grand Beauty Management Limited ("Grand Beauty") directly owned approximately 49.45% issued ordinary shares of the Company. Grand Beauty is an indirect wholly-owned subsidiary of Sino-Ocean Group.

19. 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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. CONVERTIBLE PREFERENCE SHARES RESERVE (Continued)

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

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

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

Amendments

On 26 January 2018, the Company entered into the second supplemental deed (the "Second Supplemental Deed") with Grand Beauty, pursuant to which the parties conditionally agreed to amend certain terms of the CPSs ("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 dated 28 January 2018 and circular dated 28 February 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. CONVERTIBLE PREFERENCE SHARES RESERVE (Continued)

Amendments (Continued)

The Amendments were accounted for as extinguishment of the Adjusted CPSs as the conversion options of the Adjusted CPSs do not meet the fixed-for-fixed criteria, that is, it will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's ordinary shares by considering the adjustments to conversion price. Accordingly, the Adjusted CPSs should be accounted for as liability component and are measured at fair value at initial recognition. Subsequently, it is classified as a financial liability at fair value through profit or loss. The difference between the fair value of the Adjusted CPSs of 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.

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 with 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.

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")).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. CONVERTIBLE PREFERENCE SHARES RESERVE (Continued)

Capital reduction (Continued)

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.

On 28 February 2020, Grand Beauty executed a third deed of cancellation in favour of the Company, pursuant to which Grand Beauty agreed to the implementation of the proposed capital reduction involving the cancellation of 31,666,667 CPSs held by Grand Beauty (representing approximately 4.03% of all the CPSs in issue as at 31 December 2019 ("Third Capital Reduction")).

Following completion of the Third Capital Reduction, the credit in the amount of approximately HK\$95,000,000 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\$95,000,000 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 Third Capital Reduction was set out in the announcement of the Company dated 28 February 2020 and circular of the Company dated 18 March 2020.

20. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20. 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 was 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 six months ended 30 June 2020, the Company paid a distribution of perpetual bond to Grand Beauty amounted to approximately HK\$226,000 (30 June 2019: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. OPERATING LEASE COMMITMENTS

The Group as lessor:

Property rental income earned from leasing of the Group's investment properties during the period is disclosed in note 6. The properties held by the Group have committed tenants for the lease term ranging from six months to eight years (31 December 2019: 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:

| | 30 June 2020 | 31 December 2019 |
|---------------------------------|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Within one year | 79,949 | 74,193 |
| After 1 year but within 2 years | 72,930 | 71,436 |
| After 2 year but within 3 years | 69,133 | 68,671 |
| After 3 year but within 4 years | 66,484 | 65,963 |
| After 4 year but within 5 years | 66,030 | 67,422 |
| After 5 years | 38,941 | 67,461 |
| | 393,467 | 415,146 |

22. CAPITAL COMMITMENTS

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

| | 30 June 2020 | 31 December 2019 |
|------------------------------|-------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Properties under development | 246,912 | 325,028 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

23. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors, for the six months ended 30 June 2020 was HK\$1,329,000 (six months ended 30 June 2019: HK\$1,299,000).

In addition to those related party transactions disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2020, the Group entered into the following transactions with its related parties.

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Transactions with a fellow subsidiary: | | |
| — Management service fee paid | — | 116 |
| Transactions with a joint venture | | |
| — Asset management fee paid | 2,288 | 2,385 |
| — Building management fee paid | 155 | 151 |
| — Other loan interest income (note) | 12,634 | 12,686 |

Note:

As disclosed in Note 14, loan receivables with principal amount of US\$55,753,000 in aggregate were granted by the Group to Gemini-Rosemont, a joint venture. The interest income derived from loan receivables during the period was approximately HK\$12,634,000 (six months ended 30 June 2019: HK\$12,686,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. FAIR VALUE MEASUREMENT

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 30 June 2020 (Unaudited) | As at 30 June 2020 | | | Total |
|--|--------------------|----------------|------------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| | HK\$000 | HK\$000 | HK\$000 | HK\$000 |
| Financial assets at fair value through profit or loss | | | | |
| — Unlisted equity investments (note (i)) | — | — | 109 | 109 |
| — Club debentures (note (i)) | — | — | 6,060 | 6,060 |
| — Unlisted fund investments (note (i)) | — | 439,941 | 1,744,425 | 2,184,366 |
| — Financial instruments held for trading | 465,325 | — | — | 465,325 |
| | 465,325 | 439,941 | 1,750,594 | 2,655,860 |
| Financial liabilities at fair value through profit or loss | | | | |
| — Financial instruments held for trading | 1,158 | — | — | 1,158 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. FAIR VALUE MEASUREMENT (Continued)

| As at 31 December 2019 (Audited) | As at 31 December 2019 | | | Total HK\$000 |
|---|------------------------|--------------------|--------------------|------------------|
| | Level 1 HK\$000 | Level 2 HK\$000 | Level 3 HK\$000 | |
| 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 (note (i)) | — | 420,883 | 1,794,562 | 2,215,445 |
| — Financial instruments held for trading | 286,286 | — | — | 286,286 |
| | <u>286,286</u> | <u>420,883</u> | <u>1,800,471</u> | <u>2,507,640</u> |

During the six months ended 30 June 2020 and 30 June 2019, 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.

Notes:

- (i) 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 a level 3 fair value measurement. The movement of these financial instruments is as follows:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|--|--|--|
| At the beginning of period/year | 1,800,471 | 1,798,027 |
| Additions | — | 1,650 |
| Disposal | — | (3,162) |
| Exchange realignment | — | (5) |
| Fair value change recognised in profit or loss | <u>(49,877)</u> | <u>3,961</u> |
| At the end of period/year | <u>1,750,594</u> | <u>1,800,471</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. FAIR VALUE MEASUREMENT (Continued)

Notes: (Continued)

(i) (Continued)

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

| Nature of financial assets | Valuation technique | Significant unobservable inputs | Range/value | Sensitivity of fair value to the input |
|---|---------------------|--|--------------------------------------|---|
| Club debentures | Market approach | Broker quotes | HK\$5,300,000 to HK\$6,500,000 | Had the quote from brokers increased by 10%, the fair value would have increased by approximately HK\$606,000. Had the quote from brokers decreased by 10%, the fair value would have decreased by approximately HK\$606,000. |
| Unlisted equity and fund investments which principally invested in residential and commercial real estate | Market approach | Discount/ Premium of quality of properties (e.g. view, level, size and condition of the properties) | -15% to 15% | Had the discount decreased by 10%, the fair value would have increased by approximately HK\$233,875,000. Had the discount increased by 10%, the fair value would have decreased by approximately HK\$233,875,000. |
| Unlisted equity and fund investments which invests in real estate project | Market approach | Discount/ Premium of quality of properties (e.g. view, level, size and condition of the properties) | -3.5% to 22% | Had the discount decreased by 10%, the fair value would have increased by approximately HK\$13,666,000. Had the discount increased by 10%, the fair value would have decreased by approximately HK\$13,666,000. |

(ii) 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.

Other Information

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

As at 30 June 2020, the interests and short positions of the directors (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 (the "Model Code") 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 shares of the Company

| Name of Director | Capacity | Number of ordinary shares of the Company (the "Shares") | Approximate percentage of interest in the issued Shares as at 30 June 2020 |
|-----------------------------|---|---|--|
| WANG Xiao | Beneficial owner | 1,326,000 (L) | 0.210% |
| (appointed on 15 June 2020) | Interest of controlled corporation (Note 1) | 45,139,000 (L) | 7.143% |
| | | <hr/> Total: | |
| | | 46,465,000 (L) | 7.353% |

Notes:

- (1) These Shares are held by Trend Best Investment Limited which is wholly-owned by Mr. WANG Xiao. As such, Mr. WANG Xiao was deemed under the SFO to be interested in these Shares in which Trend Best Investment Limited was interested.
- (2) The letter "L" denotes a long position in the Shares.

Other Information

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

Under the share option scheme of the Company as mentioned 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. Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them as at 30 June 2020 were as follows:

| Name of Directors | Capacity | Date of grant | Exercise period | Number of Shares over which options are exercisable as at 30 June 2020 | Exercise price per Share HK\$ | Approximate percentage of interest in the issued Shares as at 30 June 2020 |
|---|------------------|----------------|-------------------------------|--|-------------------------------|--|
| LI Ming (resigned on 30 July 2020) | Beneficial owner | 9 August 2013 | 9 August 2013 — 22 June 2021 | 4,000,000 (L) | 0.96 | 0.633% |
| SUM Pui Ying | Beneficial owner | 26 August 2011 | 26 August 2011 — 22 June 2021 | 2,000,000 (L) | 1.40 | 0.316% |
| | | 9 August 2013 | 9 August 2013 — 22 June 2021 | 16,000,000 (L) | 0.96 | 2.532% |
| | | | | Total: 18,000,000 (L) | | 2.848% |
| LAI Kwok Hung, Alex | Beneficial owner | 9 August 2013 | 9 August 2013 — 22 June 2021 | 3,000,000 (L) | 0.96 | 0.475% |
| | | 9 March 2015 | 9 March 2015 — 22 June 2021 | 500,000 (L) | 1.27 | 0.079% |
| | | | | Total: 3,500,000 (L) | | 0.554% |
| LI Hongbo (resigned on 15 June 2020) | Beneficial owner | 9 August 2013 | 9 August 2013 — 22 June 2021 | 1,000,000 (L) | 0.96 | 0.158% |
| | | 9 March 2015 | 9 March 2015 — 22 June 2021 | 500,000 (L) | 1.27 | 0.079% |
| | | | | Total: 1,500,000 (L) | | 0.237% |

Note:

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

Other Information

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

As at 30 June 2020, the interests of the Directors in the shares of Sino-Ocean Group Holding Limited (“Sino-Ocean”, together with its subsidiaries, the “Sino-Ocean Holding Group”) (being an 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 30 June 2020 |
|--|--------------------------------|--------------------------------|---|
| LI Ming (resigned on 30 July 2020) | Beneficial owner | 65,445,000 (L) | 0.859% |
| | Founder of discretionary trust | 127,951,178 (L) (Note 1) | 1.680% |
| | Beneficiary of trust | 14,914,200 (L) (Note 2) | 0.196% |
| | | <u>Total:</u> 208,310,378 (L) | 2.735% |
| SUM Pui Ying | Beneficial owner | 3,556,500 (L) | 0.047% |
| LI Hongbo (resigned on 15 June 2020) | Beneficial owner | 114,617 (L) | 0.002% |

Notes:

- The 127,951,178 shares in Sino-Ocean are held by a discretionary trust of which Mr. LI Ming is a founder.
- The 14,914,200 shares in Sino-Ocean are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.
- 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 the Sino-Ocean Holding Group in order to provide an incentive for directors and employees of the Sino-Ocean Holding 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 Holding Group for the continual operation and development of the Sino-Ocean Holding 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 awarded. The restricted shares will be purchased by the trustee from the market out of cash contributed by the Sino-Ocean Holding 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.

Other Information

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 Holding 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 Holding Group to work with commitment towards enhancing the value of Sino-Ocean and to compensate employees of the Sino-Ocean Holding Group for their contribution based on their individual performance and that of Sino-Ocean Holding Group. 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 Holding 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 Holding Group for their contribution based on their individual performance and the performance of Sino-Ocean.

As at 30 June 2020, no Director held any outstanding restricted shares awarded under the restricted share award scheme of 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 30 June 2020 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 30 June 2020 | Exercise price per share HK\$ | Approximate percentage of interest of such share options held as at 30 June 2020 relative to the issued share capital of Sino-Ocean as at 30 June 2020 |
|----------------------------|------------------|--------------------------------|------------------------------------|--|----------------------------------|--|
| LI Ming | Beneficial owner | 27 August 2015 | (Note 1) | 540,000 (L) | 4.04 | 0.007% |
| (resigned on 30 July 2020) | | 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% |

Other Information

| 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 30 June 2020 | Exercise price per share HK\$ | Approximate percentage of interest of such share options held as at 30 June 2020 relative to the issued share capital of Sino-Ocean as at 30 June 2020 |
|--|------------------|--------------------------------|------------------------------------|--|----------------------------------|--|
| 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) | |
| LI Hongbo (resigned on 15 June 2020) | 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) | |

Notes:

- Exercisable from 27 August 2016 to 26 August 2020.
- Exercisable from 13 April 2017 to 12 April 2021.
- Exercisable from 24 August 2018 to 23 August 2022.
- Exercisable from 4 September 2019 to 3 September 2023.
- Exercisable from 27 March 2020 to 26 March 2024.
- 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.
- 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, in which 50% of the options become exercisable 12 months from the grant date, and all options become exercisable 24 months from the grant date.
- The letter "L" denotes a long position in the shares in Sino-Ocean.

Other Information

As at 30 June 2020, 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 Transaction 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 of the Company held on 23 June 2011, a share option scheme (the "Share Option Scheme") of the Company was adopted by the shareholders of the Company.

Details of share option movements under the Share Option Scheme during the six months ended 30 June 2020 (the "Interim Period") were summarized as follows:

| | Date of grant | Exercise price per Share HK\$ | Number of Shares over which options are exercisable | | | | | Balance as at 30 June 2020 | Exercise period |
|---|----------------|-------------------------------|---|-----------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------|-------------------------------|
| | | | Balance as at 1 January 2020 | Granted during the Interim Period | Exercised during the Interim Period | Lapsed during the Interim Period | Cancelled during the Interim Period | | |
| Directors | | | | | | | | | |
| LI Ming (resigned on 30 July 2020) | 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 (resigned on 15 June 2020) | 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 |
| 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) | — | — | 500,000 | — | 2,290,000 (L) | 9 March 2015 – 22 June 2021 |
| Total | | | 34,510,000 (L) | — | — | 500,000 | — | 34,010,000 (L) | |

Note:

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

Other Information

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 the section headed "SHARE OPTION SCHEME" above:

- (a) at no time during the Interim Period was the Company, its holding 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 Interim Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2020, 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 interest in the issued Shares as at 30 June 2020 (Note 1) |
|--|--|--|---|
| Sino-Ocean Group Holding Limited ("Sino-Ocean") | Interest of a controlled corporations (Notes 3 and 5) | 779,949,291 (L) (Note 4) | 123.42% |
| Shine Wind Development Limited ("Shine Wind") | Interest of a controlled corporations (Notes 3 and 5) | 779,949,291 (L) (Note 4) | 123.42% |
| Faith Ocean International Limited ("Faith Ocean") | Interest of a controlled corporations (Notes 3 and 5) | 779,949,291 (L) (Note 4) | 123.42% |
| Sino-Ocean Land (Hong Kong) Limited ("SOL HK") | Interest of a controlled corporations (Notes 3 and 5) | 779,949,291 (L) (Note 4) | 123.42% |
| Grand Beauty Management Limited ("Grand Beauty") | Beneficial owner (Note 3) | 312,504,625 (L) | 49.45% |
| | Beneficial owner (Note 3) | 377,166,666 (L) (Note 2) | 59.68% |
| | | Total: 689,671,291 (L) | 109.13% |

Other Information

| Name | Nature of Interest/capacity | Number of Shares/ underlying Shares | Approximate percentage of interest in the issued Shares as at 30 June 2020 (Note 1) |
|--|---|--|---|
| Heroic Peace Limited ("Heroic Peace") | Interest of controlled corporation (Note 5) | 90,278,000(L) | 14.29% |
| Fortune Joy Ventures Limited ("Fortune Joy") | Interest of controlled corporation (Note 5) | 90,278,000(L) | 14.29% |
| Sino-Ocean Capital Holding Limited ("Sino-Ocean Capital") | Interest of controlled corporation (Note 5) | 90,278,000(L) | 14.29% |
| Oriental Model Limited ("Oriental Model") | Interest of controlled corporation (Note 5) | 90,278,000(L) | 14.29% |
| Oceanland Global Investment Limited ("Oceanland Global") | Interest of controlled corporation (Note 5) | 90,278,000(L) | 14.29% |
| Glory Class Ventures Limited ("Glory Class") | Interest of controlled corporation (Note 5) | 90,278,000(L) | 14.29% |
| Estate Spring International Limited ("Estate Spring") | Beneficial owner (Note 5) | 90,278,000(L) | 14.29% |
| ZHANG Li | Interest of controlled corporation (Note 6) | 45,139,000 (L) | 7.14% |
| Hongkong Presstar Enterprise Co., Limited ("HK Presstar") | Beneficial owner (Note 6) | 45,139,000 (L) | 7.14% |
| Trend Best Investment Limited ("Trend Best") | Beneficial owner (Note 7) | 45,139,000 (L) | 7.14% |

Notes:

- (1) The total number of issued Shares as at 30 June 2020 (that was, 631,946,000 Shares) has been used for the calculation of the approximate percentage.
- (2) These shares represent the 377,166,666 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 754,333,333 convertible preference shares of the Company.

Other Information

- (3) Grand Beauty was wholly-owned by SOL HK. SOL HK was wholly-owned by Faith Ocean which was, in turn, wholly-owned by Shine Wind. Shine Wind 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, Shine Wind and Sino-Ocean was deemed under the SFO to be interested in the 689,671,291 Shares in which Grand Beauty was interested.
- (4) These shares represent (i) the 689,671,291 Shares in which Grand Beauty was interested; and (ii) the 90,278,000 Shares in which Estate Spring was interested.
- (5) Estate Spring was wholly-owned by Glory Class. Glory Class was wholly-owned by Oceanland Global, which was, in turn, 70% owned by Oriental Model. Oriental Model was wholly-owned by Sino-Ocean Capital. Sino-Ocean Capital was wholly-owned by Fortune Joy. Fortune Joy was 49% owned by Heroic Peace, which was, in turn, wholly-owned by SOL HK. Please refer to note (3) above for the relationships between SOL HK, Faith Ocean, Shine Wind and Sino-Ocean. In view of their respective interests in Estate Spring, each of Glory Class, Oceanland Global, Oriental Model, Sino-Ocean Capital, Fortune Joy, Heroic Peace, SOL HK, Faith Ocean, Shine Wind and Sino-Ocean was deemed under the SFO to be interested in the 90,278,000 Shares in which Estate Spring was interested.
- (6) HK Presstar is wholly-owned by Mr. ZHANG Li. As such, Mr. ZHANG Li was deemed under the SFO to be interested in the 45,139,000 Shares in which HK Presstar was interested.
- (7) Trend Best is wholly-owned by Mr. WANG Xiao, a non-executive Director. Mr. WANG Xiao is also the sole director of Trend Best.
- (8) The letter "L" denotes a long position in the ordinary Shares.

Save as disclosed herein, as at 30 June 2020, 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 issued Shares.

CORPORATE GOVERNANCE

During the Interim Period, the Company has complied with the applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as and when they were/are in force, except for Code Provision E.1.2 which requires chairman of the Board to attend the annual general meeting of the Company.

Due to other pre-arranged business commitments which had to be attended, Mr. LI Ming (the then honorary chairman of the Board and non-executive Director) was unable to attend the annual general meeting of the Company held on 29 April 2020.

Other Information

REVIEW BY AUDITOR AND AUDIT COMMITTEE

At the request of the audit committee of the Company (the “Audit Committee”), the auditor of the Company has carried out a review of the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial information of the Group for the Interim Period.

CODES FOR SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they have complied with the required standard as set out in the Model Code during the Interim Period.

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.

CHANGES IN DIRECTORS’ INFORMATION

Change in information on Directors since the date of the Annual Report 2019 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. LAI Kwok Hung, Alex, an executive Director, is the independent non-executive director and the chairman of the audit and risk management committee of SG Group Holdings Limited since March 2017. With effect from 20 March 2020, SG Group Holdings Limited has transferred the listing of its shares from GEM to the Main Board of the Stock Exchange (stock code: 1657).

Mr. LAW Tze Lun, an independent non-executive Director, has been appointed as an independent non-executive director, the chairman of the audit committee, and a member of each of the remuneration committee and nomination committee of Justin Allen Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1425) with effect from 20 March 2020.

Mr. SUM Pui Ying, an executive Director, has resigned as an executive director and the company secretary of Sino-Ocean Group Holding Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3377), and ceased to be an authorised representative of Sino-Ocean Group Holding Limited under Rule 3.05 of the Listing Rules with effect from 25 March 2020. On 30 July 2020, Mr. SUM Pui Ying has been appointed as the Chairman of the Board of the Company and the chairman of the nomination committee of the Company, following the resignation of Mr. LI Ming as a non-executive Director and the Honorary Chairman of the Board on the same date.

Other Information

Ms. CHEN Yingshun, an independent non-executive Director, was no longer the adviser to the CEO office of CNFinance Holdings Limited from early April 2020. She has been appointed as the chief specialist of Guangzhou Asset Management Co., Ltd.* (廣州資產管理有限公司) since April 2020.

Mr. TANG Runjiang, a non-executive Director, has been appointed as a member of each of the audit committee and the investment committee of the Board of the Company with effect from 15 June 2020.

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

* *For identification purpose only*

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 Interim Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained a sufficient amount of public float for its Shares as required under the Listing Rules throughout the Interim Period.

On behalf of the Board

LAI Kwok Hung, Alex
Executive Director

30 July 2020

Corporate Information

BOARD OF DIRECTORS

Honorary Chairman

LI Ming (resigned on 30 July 2020)

Executive Directors

SUM Pui Ying (Chairman (appointed on 30 July 2020) and Chief Executive Officer)

LAI Kwok Hung, Alex

LAM Yee Lan (appointed on 15 June 2020)

Non-executive Directors

LI Ming (Honorary Chairman, resigned on 30 July 2020)

TANG Runjiang

WANG Xiao (appointed on 15 June 2020)

LI Hongbo (resigned on 15 June 2020)

Independent Non-executive Directors

LAW Tze Lun

LO Woon Bor, Henry

CHEN Yingshun

AUDIT COMMITTEE

LAW Tze Lun (Chairman)

TANG Runjiang (appointed on 15 June 2020)

LO Woon Bor, Henry

CHEN Yingshun

REMUNERATION COMMITTEE

LAW Tze Lun (Chairman)

WANG Xiao (appointed on 15 June 2020)

LO Woon Bor, Henry

CHEN Yingshun

NOMINATION COMMITTEE

LI Ming (Chairman, resigned on 30 July 2020)

SUM Pui Ying (Chairman, appointed on 30 July 2020)

LAW Tze Lun

LO Woon Bor, Henry

CHEN Yingshun

INVESTMENT COMMITTEE

SUM Pui Ying (Chairman)

LAI Kwok Hung, Alex

TANG Runjiang (appointed on 15 June 2020)

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

(in alphabetical order)

Baker & McKenzie

Sit Fung Kwong & Shum

PRINCIPAL BANKERS

(in alphabetical order)

Bank of Communications Co., Ltd.

Hong Kong Branch

DBS Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking

Corporation Limited

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