



# Gemini Investments (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 174

盛洋投资



2021  
ANNUAL REPORT



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# Financial Highlights

| (HK\$'000)                                 | 2021             | 2020      |
|--|------------------|-----------|
| Revenue                                    | <b>1,227,106</b> | 603,856   |
| Profit/(loss) before income tax            | <b>284,166</b>   | (137,456) |
| Profit/(loss) for the year                 | <b>238,615</b>   | (233,236) |
| Loss attributable to owners of the Company | <b>(8,111)</b>   | (233,036) |
| Loss per share                             |                  |           |
| — basic (HK dollars)                       | <b>(0.01)</b>    | (0.41)    |
| — diluted (HK dollars)                     | <b>(0.01)</b>    | (0.41)    |

| (HK\$'000)                                   | 2021              | 2020       |
|--|-------------------|------------|
| Total assets                                 | <b>16,022,667</b> | 17,955,521 |
| Equity attributable to owners of the Company | <b>5,406,016</b>  | 5,392,323  |
| Cash and bank balances                       | <b>824,947</b>    | 1,162,189  |

# 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 year ended 31 December 2021 (the "**Year**" or "**2021**").

## FINANCIAL RESULTS

In 2021, the Group recorded a revenue of HK\$1,227 million (2020: HK\$604 million) and a loss attributable to owners of the Company of HK\$8 million (2020: a loss attributable to owners of the Company of HK\$233 million). Under the mixed effect of gradual adaptation to the impacts of the COVID-19 pandemic by the global business environment and emergence of COVID-19 variants, the Group continued to record a decrease in the valuation of certain real estate projects in the United States of America (the "**U.S.**") albeit at a lower overall degree as compared to that of 2020. Details of the financial results are described in the section headed "Management Discussion & Analysis".

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

## BUSINESS REVIEW

The year 2021 also marked a challenging year. Due to the recurrence nature of the COVID-19 pandemic, the unexpected emergence of COVID-19 variants added uncertainties to the gradual recovery of economic activities, again casting a cloud over the recovery prospect, despite the sign of recovery of the global economy as a result of rising COVID-19 vaccination rate coupled with the ongoing stimulus packages implemented by various countries around the world to boost economic growth.

During the Year, the Group continued to focus on the investment and management of real estate in the U.S. through Gemini-Rosemont Realty LLC ("**GR Realty**"), our U.S.-based property fund management platform, and recorded an overall revenue of HK\$1,227 million, with the size of the total assets reaching HK\$16,023 million. The Group adhered to the principle of flexibility and continued to implement its medium to long-term strategic plan in a cautious manner against the overall backdrop of uncertainties.

On one hand, the Group continued to promote the management and development of the investment projects located in the primary markets of the East Coast and West Coast of the U.S.. In light of the potential trend of structural adjustment of the real estate market of the U.S., and by leveraging the strong business relationship established with the tenants, the communities and the service providers over the past years, our U.S. team promptly implemented effective measures to cope with the adverse market conditions, maintaining an overall occupancy rate of over 95% for the investment properties in the East Coast and West Coast of the U.S. and facilitating full-speed construction of our property development projects.

# CHAIRMAN'S STATEMENT

On the other hand, the Group continued to implement the exit plan regarding the disposal of assets, and seized appropriate opportunities to successfully carry out the disposal of several real estate projects located in the Central U.S. including the State of Texas and the State of Alabama, recording a gain on disposal of HK\$36 million during the Year. By optimizing its asset portfolio, the Group aims to reallocate its resources to assets with higher growth potential.

## PROSPECTS

The world has been under the impact of the COVID-19 pandemic since its outbreak over two years ago. The recurrent nature of the pandemic and the emergence of the virus variants as well as geopolitical tension have brought great uncertainties to the recovery of the global economy. Major economies have not yet released their official schedule for border opening. In 2022, due to the uncertainties regarding the development prospect, we expect to witness a weak recovery in the global economy amidst the recurrent outburst of the pandemic, geopolitical tension, high inflation rate and exit of the stimulus policies, with the growth momentum remaining very fragile. How to reopen the economy and restore the economy to normalized growth will be the priority of the government decision-makers and the management of the enterprises. We will keep a close watch on the development and transformation trend of the industry, continue to implement our strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimize our investment portfolio, with an aim to improve the value and market competitiveness of the Company.

Faced with various challenges brought by the pandemic as well as geopolitical tension which have not been seen in centuries, we are grateful to have Sino-Ocean Group Holding Limited and Sino-Ocean Capital Holding Limited, the substantial shareholders of the Company, as our strong support and backing force. We hope to combine the efforts of our management team and professional teams to leverage commercial synergies to explore more valuable business opportunities and strengthen our overall competitiveness.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, business partners and bank enterprises for their trust and unwavering support over the years and to my fellow Board members, the management and staff for their commitment and dedication to the Group.

**SUM Pui Ying**  
*Chairman*

Hong Kong, 11 March 2022

# MANAGEMENT DISCUSSION & ANALYSIS

During the Year, the Group continued to focus on business related to commercial and residential real estate with a geographical presence mainly in the U.S. and Hong Kong. Since 31 July 2020, GR Realty, a well-established U.S. real estate fund platform, has been converted from a joint venture to a subsidiary of the Group.

## OPERATION REVIEW

### Overview

The Group mainly engages in property investments in the U.S. and Hong Kong, property developments in the U.S. and other operations (including fund investments and securities investments). Investment properties in the U.S. (including those classified as held for sale) and in Hong Kong accounted for 57% and 3% of our total assets as at 31 December 2021 respectively, and property under development in the U.S. accounted for 12% of our total assets as at 31 December 2021. All our property investments and property developments in the U.S. are managed by GR Realty's team.

In addition to receiving a steady and reliable income and cash flow and possible capital gains from appreciation in value of assets, we also receive possible fee income and carried interest through GR Realty acting as the general partner of the property funds it manages. GR Realty has been providing tailored real estate solutions for investors and tenants for almost three decades. It is a fully integrated real estate platform, investing in quality property projects and managing property funds as general partners in specific target markets in the U.S..

### Property Investments in the U.S. (managed by GR Realty)

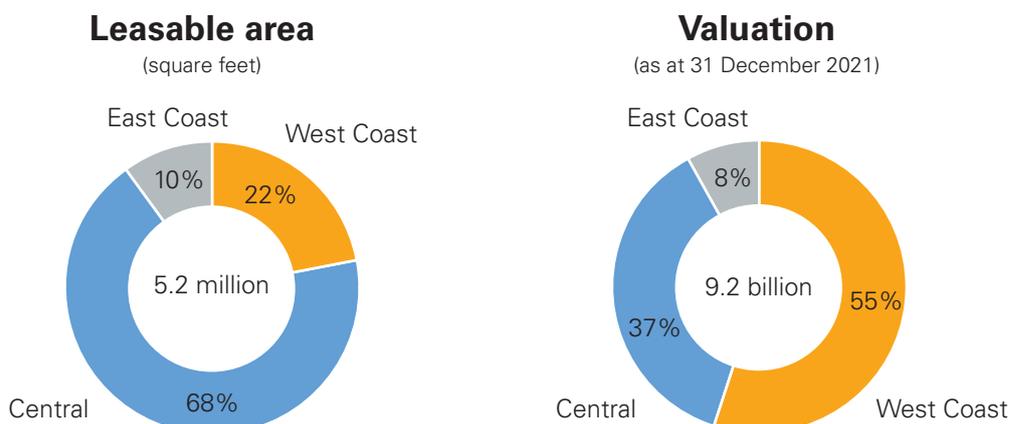
During the Year, the U.S. government has gradually relaxed its anti-epidemic measures and economic activities showed a slow recovery from the severe damage and got back on track. The outbreak of Omicron Variant of COVID-19 pandemic at end of the Year imposed pressure on office property values and the business recovery.

As at 31 December 2021, our balanced property portfolio comprised 19 commercial properties spread out in West Coast, Central and East Coast of the U.S. (where local key industry players are our key tenants), and several units in a residential building in New York City. GR Realty managed all our property investments in the U.S., with the focus on top-performing, high growth technology, creative, and new economy-centric sub-markets and tenants (which are mostly in West Coast and East Coast of the U.S.) in an effort to create and realize maximum value while at the same time gradually realising investments (which are mostly located in the Central U.S.) according to disposition criteria. During the Year, while we recorded an increase in value of certain real estate projects in the West Coast and a decrease in the Central region respectively, we have successfully disposed of several assets located in Central U.S., recording a gain on disposal of HK\$36 million, with net proceeds reserved for future sound investments.

As at 31 December 2021, the total carrying value of our investment properties in the U.S. was HK\$9,167 million (as at 31 December 2020: HK\$10,913 million) including investment properties of HK\$1,108 million which are classified as assets classified as held for sale. Rental revenue and ancillary service income to property leasing, relating to investment properties in the U.S., increased by 105% to HK\$1,212 million (2020: HK\$590 million), due to consolidation of GR Realty since 31 July 2020, whilst the result of GR Realty in 2020 has only been recognised since second half of 2020. The total leasable area in the U.S. decreased from 7,153,000 square feet to 5,233,000 square feet, with average occupancy rate of 73%.

# MANAGEMENT DISCUSSION & ANALYSIS

An analysis of investment properties (including assets classified as held for sale) in the U.S. by geographical locations is set out below:



We will continue to optimize our asset mix of the U.S. properties according to acquisition and disposition criteria and stay cautiously optimistic and closely monitor how tenants and corporations move forward to their real estate needs with an aim to maximize assets valuation.

Two of the disposals entered into by the Group during the Year constituted notifiable transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and their details are described below.

In May 2021, a subsidiary of the Company entered into a purchase and sale agreement with an independent third party to sell an office building together with various car parking spaces located at Alabama, the U.S. for an aggregate consideration of US\$67,000,000. The Group recorded a gain of HK\$34 million as a result of the disposal. This disposal was completed by end of May 2021. Details of this disposal which constituted a discloseable transaction of the Company under the Listing Rules are set out in the announcement of the Company dated 10 May 2021.

In October 2021, a subsidiary of the Company entered into a purchase and sale agreement with an independent third party to sell an office building property located at North Carolina, the U.S. for an aggregate consideration of US\$23,060,000. Subsequently, the purchaser served a written notice to terminate the purchase and sale agreement. After further negotiation, in November 2021, both parties entered into the reinstatement and second amendment to the purchase and sale agreement (the "**Second Amendment**") to reinstate, ratify and confirm the purchase and sale agreement, which has the effect of reinstating the purchase and sale agreement as if it had not been terminated. Pursuant to the Second Amendment, the consideration has been revised to US\$22,350,000. This disposal was completed in January 2022, and the gain arising from this disposal will be recognised in 2022. Details of this disposal which constituted a major transaction of the Company under the Listing Rules are set out in the announcements of the Company respectively dated 26 October 2021, 8 November 2021 and 25 November 2021; and circular of the company dated 10 December 2021.

# MANAGEMENT DISCUSSION & ANALYSIS

## Property Developments in the U.S. (managed by GR Realty)

The Group's property development projects comprise residential redevelopments located at (i) Avenue of the Americas, Manhattan, New York City, (ii) North First Street, Brooklyn, New York City and (iii) Second Avenue, Manhattan, New York City.

The redevelopment project located at Avenue of the Americas is expected to be developed into a 13-storey residential building (with retail space on the ground) with an estimated gross floor area of 82,000 square feet. It is positioned with unique project types including duplex units which are in scarcity in Manhattan. It is currently under development and expected to be completed by the first half of 2022.

The North First Street project is in development stage, and expected to be developed into a residential building together with auxiliary car parking facilities and perfecting amenities. The estimated gross floor area is 78,000 square feet, and completion is expected in 2023. The Second Avenue project is in demolition stage, and is expected to be developed into a residential building with splendid amenities. The estimated gross floor area is 137,000 square feet, and completion is expected in early 2025.

The relaxed control measures in New York City were tightened again due to the outbreak of the COVID-19 variant which may delay the progress of our property development projects. We will closely monitor the progress of our property development projects and continue to implement our plans to provide quality residential property development products.

## Investment Properties in Hong Kong

Investment properties in Hong Kong comprise A-grade offices units in two buildings in Hong Kong Island, and several residential units and car parking space. The total carrying value of our investment properties in Hong Kong was HK\$440 million (as at 31 December 2020: HK\$451 million), representing 3% of our total assets as at 31 December 2021 (as at 31 December 2020: 3%). During the Year, rental revenue from investment properties in Hong Kong remained stable with an amount of HK\$10 million (2020: HK\$11 million). Leasing activities remained relatively stable with average occupancy rate of 90%.

## Other Operations

Other operations mainly include fund investments and securities investments. As at 31 December 2021, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong and overseas of HK\$325 million (as at 31 December 2020: HK\$546 million). The Group recorded gain from securities investment (classified as financial instruments held for trading) of HK\$29 million for the Year (2020: HK\$58 million) as a result of prudence investment strategy under thriving global capital market.

# MANAGEMENT DISCUSSION & ANALYSIS

As at 31 December 2021, the carrying amount of our fund investment portfolio (classified as “financial assets at fair value through profit or loss”) was HK\$1,952 million (as at 31 December 2020: HK\$2,155 million), with an aggregate gain on change of fair value of HK\$45 million recorded during the Year (2020: HK\$3 million), as a result of gain from those funds investing in global listed securities, with a mixed portfolio including equity securities in technology media telecom sector and new economy industries and debt securities under thriving global capital market. The underlying investments in our fund investment portfolio include global listed securities and debt securities focusing on the technology media telecom sector, property and property-related value chain and new economy industries; and real estate and related investments primarily in the U.S., Europe, Japan, Australia and/or Hong Kong.

In November 2021, the Group served redemption notices to the administrator of two of our fund investments to redeem its 341,438 participating shares in GlobalActive Fund Limited and its 80,000 shares in Neutron Fund Limited attributable to Neutron Asia Absolute Return Fund with carrying amount of HK\$147 million and HK\$100 million respectively. The total proceeds arising from the redemptions are HK\$247 million and the Group recorded gain from redemption of funds of HK\$8 million, which was recorded as “Changes in fair value of financial assets at fair value through profit or loss” during the Year. The redemption of funds represented a good opportunity for the Group to realize such investments so that it can reallocate its resources to its other existing businesses. Details of the redemptions which constituted a major transaction of the Company under the Listing Rules were set out in the announcement and circular of the Company dated 19 November 2021 and 7 January 2022 respectively.

## FINANCIAL REVIEW

### Revenue

The components of our revenue are analysed as follows:

|  | 2021             | 2020     |
|--|------------------|----------|
|  | HK\$'000         | HK\$'000 |
| Rental income                                | 983,833          | 502,089  |
| Ancillary service income to property leasing | 237,783          | 98,879   |
| Others                                       | 5,490            | 2,888    |
|  | <b>1,227,106</b> | 603,856  |

Rental income comprises rental income generated from U.S. investment properties managed by GR Realty of HK\$974 million and Hong Kong investment properties of HK\$10 million. Ancillary service income to property leasing mainly includes income for services provided to tenants of HK\$208 million and parking lot income of HK\$30 million.

As GR Realty has only been consolidated into the Group since 31 July 2020, the significant increase in revenue by HK\$623 million was mainly due to increase in revenue contributed by GR Realty for the whole year 2021, including increase of rental income by HK\$482 million and ancillary service income to property by HK\$139 million.

# MANAGEMENT DISCUSSION & ANALYSIS

## Operating expenses

The components of our operating expenses are analysed as follows:

|                                    | 2021           | 2020     |
|------------------------------------|----------------|----------|
|                                    | HK\$'000       | HK\$'000 |
| Repairs, maintenance and utilities | <b>256,694</b> | 127,335  |
| Property insurance costs           | <b>23,756</b>  | 9,004    |
| Property management expenses       | <b>38,114</b>  | 24,559   |
| Real estate taxes                  | <b>170,998</b> | 29,093   |
| Others                             | <b>4,139</b>   | 3,302    |
|                                    | <b>493,701</b> | 193,293  |

As GR Realty has only been consolidated into the Group since 31 July 2020, the significant increase in operating expenses by HK\$301 million was mainly due to increase in operating expenses contributed by GR Realty for the whole year 2021, including increase in repairs, maintenance and utilities by HK\$130 million and real estate taxes by HK\$142 million which mostly occurred and were recognised in the first half of the year.

## Loss arising from changes in fair value of investment properties

Loss arising from changes in fair value of investment properties of the Group of HK\$151 million was recorded, representing a drop in carrying value of 2% of the investment properties, which mainly resulted from fair value decrease of U.S. investment properties of HK\$140 million. Under the mixed effect of gradual adaptation to the impacts of the COVID-19 pandemic by the global business environment and emergence of COVID-19 variants, the Group continued to record a decrease in the valuation of certain real estate projects in the U.S., albeit at a lower overall degree as compared to that of 2020. Such decrease in fair value mainly came from investment properties located in Central U.S., with our tenants there affected more by new variant COVID-19 pandemic, which we act as general partner of the property fund with certain limited partner interests.

## Gain arising from changes in fair value of financial assets at fair value through profit or loss

Gain arising from changes in fair value of financial assets at fair value through profit or loss of the Group of HK\$45 million was recorded during the Year, which was mainly generated from our fund investments. Details of performance of fund investments are described in the section headed "Other Operations" under Management Discussion & Analysis.

# MANAGEMENT DISCUSSION & ANALYSIS

## Other income, gains/losses

The components of other income, gains/losses, are analysed as follows:

|  | 2021          | 2020     |
|--|---------------|----------|
|  | HK\$'000      | HK\$'000 |
| Gain on disposal of investment properties        | <b>36,175</b> | –        |
| Government grant                                 | <b>18,055</b> | –        |
| Interest income                                  | <b>7,966</b>  | 19,623   |
| Loss on re-measurement of interests in GR Realty | –             | (50,339) |
| Others   | <b>1,238</b>  | 3,982    |
|  | <b>63,434</b> | (26,734) |

During the Year, other income, gains/losses mainly comprises gain of HK\$36 million from the disposal of several investment properties located in the U.S, and income from a government grant of HK\$18 million by the U.S. Department of the Treasury for the purpose of providing financial support to enterprises under the impact of COVID-19.

During last year, other income, gains/losses mainly comprises loss on re-measurement of interests in joint ventures of HK\$50 million due to the difference between the fair value of the existing interests in GR Realty and the carrying amount of interests in GR Realty as joint venture upon consolidation of GR Realty, and interest income on loan receivables from GR Realty of HK\$15 million prior to the consolidation of GR Realty.

## Administrative and other expenses

The components of our administrative and other expenses are analysed as follows:

|  | 2021           | 2020     |
|--|----------------|----------|
|  | HK\$'000       | HK\$'000 |
| Employee costs                           | <b>92,095</b>  | 55,276   |
| Legal and professional fee               | <b>39,937</b>  | 31,005   |
| Depreciation                             | <b>15,875</b>  | 10,137   |
| Insurance expenses                       | <b>9,067</b>   | 4,792    |
| Informative service fee                  | <b>8,926</b>   | 4,033    |
| Auditors' remuneration                   | <b>7,273</b>   | 5,365    |
| Exchange difference                      | <b>4,356</b>   | (3,712)  |
| Other taxes                              | <b>5,116</b>   | 4,464    |
| Other office and administrative expenses | <b>20,244</b>  | 17,793   |
|  | <b>202,889</b> | 129,153  |

# MANAGEMENT DISCUSSION & ANALYSIS

As GR Realty has only been consolidated into the Group since 31 July 2020, the significant increase in administrative and other expenses by HK\$74 million recorded by the Group was mainly due to increase in employee costs, legal and professional fee, insurance expenses and informative service fee contributed by GR Realty for the whole year 2021. As such, total employee costs increased by HK\$37 million, and legal and professional fee increased by HK\$9 million, associated with an exchange difference movement of HK\$8 million.

## Finance costs

As GR Realty has only been consolidated into the Group since 31 July 2020, the significant increase in finance cost by HK\$228 million recorded by the Group was due to increase in finance cost contributed by GR Realty for the whole year 2021 by HK\$228 million.

## Loss attributable to limited partners and puttable instrument holders

The entities to which losses are attributable mainly include certain limited partner interests associated with those limited partnerships of the property funds managed and controlled by GR Realty of HK\$186 million (2020: HK\$187 million). According to the terms of investments, these interests are classified as assets/liabilities under the statutory accounting principles, instead of non-controlling interest in equity. Accordingly, the financial results attributable to limited partners and puttable instrument holders are recorded in the consolidated income statement of the Group. The loss of HK\$186 million, which mainly arose from the fair value decrease of investment properties mainly located in Central U.S. under GR Realty, was allocated to the limited partners. The Group mainly acts as general partner, with certain limited partner interest in the parent funds of those investment properties.

## Loss attributable to owners of the Company

Loss attributable to owners of the Company for the Year decreased to HK\$8 million (2020: loss attributable to owners of the Company of HK\$233 million). Basic loss per ordinary share of the Company of HK\$0.01 for the Year was recorded (2020: loss per ordinary share of HK\$0.41). Our management will closely monitor the market situation and focus on the improvement of our shareholders' return as their on-going task.

## Financial Resources and Liquidity

As at 31 December 2021, the Group had cash resources totaling HK\$825 million (as at 31 December 2020: HK\$1,162 million). The entire committed bank credit facilities amounted to HK\$292 million which remained undrawn. The Group's sources of funding comprise mainly internal funds generated from the Group's business operations and loan facilities provided by banks.

# MANAGEMENT DISCUSSION & ANALYSIS

As at 31 December 2021, the borrowings (excluding lease liabilities) of the Group amounted to HK\$6,068 million (as at 31 December 2020: HK\$7,932 million). The Group's borrowings included bank loans and revolving loans and notes payables. The decrease in borrowings was mainly due to settlement of mortgage loan upon disposal of several investment properties in the U.S.. As at 31 December 2021, the proportions of short-term borrowings and long-term borrowings of the Group were 30% and 70% respectively. The maturities of the Group's borrowings are set out as follows:

|               | <b>31 December<br/>2021<br/>(HK\$ million)</b> | <b>As percentage<br/>of borrowings</b> | 31 December<br>2020<br>(HK\$ million) | As percentage<br>of borrowings |
|---------------|--|--|---------------------------------------|--------------------------------|
| Within 1 year | <b>1,850</b>                                   | <b>30%</b>                             | 2,262                                 | 28%                            |
| 1-2 years     | <b>468</b>                                     | <b>8%</b>                              | 641                                   | 8%                             |
| 2-5 years     | <b>3,036</b>                                   | <b>50%</b>                             | 4,169                                 | 53%                            |
| Over 5 years  | <b>714</b>                                     | <b>12%</b>                             | 860                                   | 11%                            |
|               | <b>6,068</b>                                   | <b>100%</b>                            | 7,932                                 | 100%                           |

The above borrowings are denominated as to 97% in U.S. dollars and 3% in Hong Kong dollars. Considering that the exchange rate of Hong Kong dollars is pegged against the U.S. dollars, the Group believes that the corresponding exposure to exchange rate risk arising from the U.S. dollars is not material.

The Group's net gearing ratio (i.e. borrowings less total cash resources divided by total equity) had improved from 94% at 31 December 2020 to 72% at 31 December 2021, mainly as result of disposal of several investment properties in the U.S. and settlement of related borrowings. The Group will gradually realise its investments at appropriate time according to GR Realty's disposition criteria which, when completed, is considered to ease the Group's gearing position. It is the strategy of GR Realty as a real estate fund platform to pair investment properties under management with an appropriate level of mortgage loans at low interest rate to achieve higher rate of return. Currently, 84% of our total borrowings enjoyed interest rate below 6%. Our management will continue to monitor the Group's capital and debt structure from time to time aiming to control short term debt ratio and mitigate its exposure to the risk of gearing.

## Financial Guarantees

As at 31 December 2021, our Group did not have any financial guarantees given for the benefit of third parties.

## Pledged Assets

As at 31 December 2021, our Group had pledged bank deposits amounting to HK\$18 million (as at 31 December 2020: HK\$35 million), investment properties of HK\$7,817 million (as at 31 December 2020: HK\$10,578 million) and assets classified as held for sale of HK\$942 million (as at 31 December 2020: nil), together with the interests of certain subsidiaries of the Group as securities to secure borrowings of our Group of HK\$6,068 million (as at 31 December 2020: HK\$7,749 million).

# MANAGEMENT DISCUSSION & ANALYSIS

## Significant Investments

As at 31 December 2021, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets as at 31 December 2021.

## Contingent Liabilities

As at 31 December 2021, our Group had no significant contingent liabilities.

## Capital Commitments

As at 31 December 2021, our Group had capital commitments of HK\$263 million (as at 31 December 2020: HK\$208 million), in respect of the property development projects in the U.S..

## Use of Proceeds from Placing Exercises

The Company respectively allotted and issued 90,278,000 new ordinary shares of the Company on 17 April 2020 and 90,278,000 new ordinary shares of the Company on 27 May 2020 at subscription prices of HK\$1.00 and HK\$0.993 respectively (collectively the "**Placing Exercises**"). The Placing Exercises raised net proceeds of HK\$179.2 million. 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 Hong Kong Stock Exchange as the transaction volume of our ordinary shares was constantly thin.

The Company's utilisation plan of the net proceeds from the Placing Exercises remained unchanged as at 31 December 2021 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 HK\$77.5 million to HK\$93.0 million), representing 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.

Our Group has been actively looking for good investment opportunities under prudence approach. However, in view of uncertainties amid the COVID-19 pandemic and the geopolitical tension, our Group had yet to make any significant investment nor utilise any portion as working capital of our Group out of the net proceeds from the Placing Exercises as at 31 December 2021, and this is considered in line with the interests of the Company and its shareholders as a whole. Based on the best estimation made by the Group barring unforeseen circumstances (including in particular the development of the COVID-19 pandemic and the identification of a suitable investment target in the U.S. in the interest of the Company and its shareholders as a whole), the Company estimates that the expected timeline for utilizing the net proceeds for the above mentioned real estate investment is on or before the fourth quarter of 2022 whilst the expected timeline for applying the remaining balance of the net proceeds for general working capital of the Group is on or before the second quarter of 2022. These expected timelines may be subject to further change based on the future development of the market conditions.

# MANAGEMENT DISCUSSION & ANALYSIS

## EMPLOYEES

As at 31 December 2021, with the execution of our strategic plan and disposal of properties, the total number of staff employed including our GR Realty's team decreased from 155 to 97. During the Year, the level of our overall staff cost was HK\$92 million (2020: HK\$55 million), with staff cost of HK\$72 million contributed by GR Realty.

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.

## SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

- (1) In December 2021, a subsidiary of the Company entered into a purchase and sale agreement with an independent third party to sell multi-storey office buildings and multi-level parking garages with several ground leases located at Oklahoma, the U.S. for an aggregate consideration of US\$101,170,000. Subsequently, both parties entered into a first amendment to the purchase and sale agreement in Feb 2022 to extend the inspection period in respect of the properties from 15 February 2022 to 1 March 2022 (U.S. Eastern Time). Upon the expiration of the inspection period, both parties entered into a second amendment to the purchase and sale agreement and the purchaser agreed to waive the right to terminate the purchase and sale agreement. Subject to closing, the gain arising from this disposal will be recognised in 2022. Details of this disposal which constituted a major transaction of the Company under the Listing Rules are set out in the announcements of the Company respectively dated 22 December 2021, 16 February 2022 and 2 March 2022; and circular of the Company dated 14 January 2022.
- (2) In January 2022, a subsidiary of the Company entered into a purchase and sale agreement with an independent third party to sell a shopping center with various car parking spaces located at New Mexico, the U.S. for an aggregate consideration of US\$3,900,000. Closing of this transaction is still subject to satisfaction of certain conditions precedent, and may or may not proceed. Subject to closing, the gain arising from this disposal will be recognised in 2022. Details of this disposal which constituted a discloseable transaction of the Company under the Listing Rules are set out in the announcement of the Company dated 31 January 2022.
- (3) In March 2022, the Group served a redemption notice to the administrator of one of our fund investments to redeem its 150,676 shares in Neutron Fund Limited attributable to Neutron B with carrying amount of HK\$279 million. The estimated proceeds arising from the redemption is HK\$252 million. Details of the redemption which constituted a very substantial disposal of the Company under the Listing Rules is set out in the announcement of the Company dated 11 March 2022.

# MANAGEMENT DISCUSSION & ANALYSIS

## ENVIRONMENTAL POLICY

Details of the environmental policy of the Group are set out in the Environmental, Social and Governance Report on pages 32 to 57.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

## RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year, there was no material and significant dispute between our Group and its business partners or bank enterprises.

## KEY RISKS AND UNCERTAINTIES

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

### Market Risks

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

### Foreign Exchange Rates Risk

Our Group's assets and liabilities were mainly denominated in Hong Kong Dollars and the U.S. dollars. As at 31 December 2021, our Group has not entered any hedging to mitigate the foreign exchange rate risk, but our Group will continue to closely monitor the foreign exchange exposure and take any actions when appropriate.

# MANAGEMENT DISCUSSION & ANALYSIS

## Interest Rate Risk

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

## Equity Price Risk

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

## Liquidity Risk

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

## Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

## Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

## Manpower and Retention Risk

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

# MANAGEMENT DISCUSSION & ANALYSIS

## Business Risk

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

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

Our Group's property portfolio is principally located in Hong Kong and the U.S.. As a result, general state of the economy and the property market, legislative and regulatory changes, government policies and political conditions, interest rate changes, labour market conditions, availability of financing and outbreak of COVID-19 pandemic in either Hong Kong or the U.S. may have a significant impact on our Group's operating results and financial conditions. For instance, profitability of property development business may be affected due to deteriorating economic conditions or intense competition from other developers and property owners. The government in Hong Kong or the U.S. may introduce property cooling measures from time to time, which may have a significant bearing on the property market in Hong Kong or the U.S. and adversely affect the property value and rental return of our Group's property portfolio as well as profitability of our property development business, and our financial condition. Further growth of our Group's property development business may also be impacted by the supply and price levels of land in Hong Kong and/or the U.S.. In addition to the economic and market conditions mentioned above, other domestic and external economic factors including but not limited to supply and demand conditions, and stock market performance may affect our Group's property investments and development business.

# Biographies of Directors and Senior Management

## BOARD OF DIRECTORS



**Mr. SUM Pui Ying, Adrian**, aged 60, has been appointed as an executive Director since 9 August 2013, and appointed as the Chairman of the Board and chairman of the nomination committee of the Company since 30 July 2020. He is also the chairman of the investment committee of the Board, and a director of various subsidiaries of the Company. He has also served as the Chief Executive Officer of the Company from 9 August 2013 until 31 December 2020. Mr. SUM joined the Group in 2011. He is currently the chief financial officer of Sino-Ocean Group Holding Limited ("**Sino-Ocean**" and, together with its subsidiaries, the "**Sino-Ocean Group**"). Sino-Ocean is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3377), and has interests in the shares of the Company as disclosed in the section headed "Substantial Shareholders' Interests in the Securities of the Company" under the Directors' Report mentioned in the later part of this annual report. Mr. SUM joined Sino-Ocean Group in May 2007. Mr. SUM was an executive director of the board of directors of Sino-Ocean from December 2015 to March 2020. He has extensive experience in corporate management of listed companies, investment and financing and financial management. Mr. SUM is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England & Wales. Mr. SUM obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master's Degree in Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996.



**Mr. LAI Kwok Hung, Alex**, aged 57, has been appointed as an executive Director and a member of the investment committee of the Board since 9 August 2013, and appointed as the Chief Executive Officer of the Company since 31 December 2020. Mr. LAI is also a director of various subsidiaries of the Company. Mr. LAI has over 31 years' solid experience in corporate governance, financial advisory and management, funds raising, business development and management. Mr. LAI is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. He is also a Chartered Secretary and Chartered Governance Professional and an associate member of The Chartered Governance Institute. Currently, Mr. LAI is an associate member of Urban Land Institute, a member of both the Hong Kong Institute of Directors and The American Chamber of Commerce in Hong Kong. He has been an independent non-executive director and the chairman of the audit and risk management committee of SG Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1657) since March 2017. Mr. LAI obtained a Bachelor of Arts degree in Accountancy awarded by The City University of Hong Kong in 1993, a Diploma in Legal Studies awarded by The University of Hong Kong in 2002 and a Master's Degree in Professional Accounting awarded by The Hong Kong Polytechnic University in 2004.

## Biographies of Directors and Senior Management



**Ms. LAM Yee Lan**, aged 37, has been appointed as an executive Director since 15 June 2020. Ms. LAM joined the Group as Financial Controller in 2017, and was appointed as Business Director of the Group in 2020, responsible for overseeing business activities in overseas markets, including business operations and oversight of asset management and operating performance of investment portfolio. Ms. LAM is also a director of a number of subsidiaries of the Company. She has over 10 years of working experience in financial and asset management. Prior to joining the Group, she worked as vice president of a Chinese background real estate fund (a joint venture of the Group at that time), and audit manager for an international audit firm. Ms. LAM received her bachelor's degree in Business Administration (Accounting) from The Hong Kong University of Science and Technology in 2008 and a Master's Degree in Corporate Governance from The Hong Kong Polytechnic University in 2021. She is also a member of Hong Kong Institute of Certified Public Accountants (HKICPA) and an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators).



**Mr. TANG Runjiang**, aged 53, has been appointed as a non-executive Director since 1 March 2018. He is also a member of the audit committee and investment committee of the Board. Mr. TANG is the Chief Financial Officer of Sino-Ocean Capital Holding Limited ("**Sino-Ocean Capital**"), being a shareholder of the Company which, through its subsidiaries, holds interests in shares of the Company as disclosed in the section headed "Substantial Shareholders' Interests in the Securities of the Company" under the Directors' Report mentioned in the later part of this annual report) and its subsidiaries. He has extensive experience in financial management and corporate governance for listed companies in the Mainland and Hong Kong. During the period from 1991 to 2018, Mr. TANG served as the manager of the treasury department of planning and finance division (finance and capital division) and the deputy general manager of the finance and capital division (the finance division) of China Ocean Shipping (Group) Company, the deputy chief accountant and the chief accountant of COSCO Bulk Carrier Co., Ltd., the chief accountant of China COSCO Bulk Shipping (Group) Co., Ltd., the general manager of the finance division of COSCO Group and the general manager of the finance division and the chief financial officer of China COSCO Holdings Company Limited and the senior director of business development of Paul Hastings in Hong Kong. Mr. TANG obtained a Bachelor of Economics Degree (major in accounting) from Central University of Finance and Economics in 1991 and a Master's Degree in Business Administration from the China Europe International Business School in 2014.

## Biographies of Directors and Senior Management



**Mr. ZHOU Yue**, aged 44, has been appointed as a non-executive Director since 10 December 2020. He is also a member of the audit committee and investment committee of the Board. Mr. ZHOU is the executive deputy general manager of Sino-Ocean Capital and its subsidiaries. Mr. ZHOU is also a director of Sino-Ocean Capital, Fortune Joy Ventures Limited (being the immediate holding company of Sino-Ocean Capital and a company indirectly owned by Sino-Ocean as to 49%) and certain subsidiaries and affiliated companies of Sino-Ocean Capital. Mr. ZHOU joined Sino-Ocean Group in 2015 and served as the deputy general manager of the CEO Management Centre. Mr. ZHOU is currently the non-executive director as well as a member of the nomination committee and strategic investment committee of Beijing Capital Grand Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1329). Mr. ZHOU graduated from Tsinghua University in 2007 and received a master's degree in Business Administration.



**Mr. LO Woon Bor, Henry**, aged 58, has been appointed as an independent non-executive Director since 12 November 2010. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. LO is a solicitor and currently a consultant solicitor of Messrs. Chan, Wong & Lam Solicitors in Hong Kong. With over 29 years of experience in civil and commercial litigation, Mr. LO has extensive experience in the practice of property law, intellectual property, civil and commercial advice and litigation. He served as an in-house counsel in a Hong Kong-listed publication conglomerate from 1998 to 1999. He regularly proffers legal advice to companies and institutions with regard to civil and commercial subjects and practice. He graduated from the University of Hong Kong with a Bachelor of Arts. Mr. LO studied law and passed the Solicitors' Final Examination in the United Kingdom. He was admitted as a solicitor of the Hong Kong Special Administrative Region in 1993 and in England and Wales in 1994. In 1997, Mr. LO obtained a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong.

## Biographies of Directors and Senior Management



**Ms. CHEN Yingshun**, aged 56, has been appointed as an independent non-executive Director since 21 April 2018. She is also a member of the audit committee, the remuneration committee and the nomination committee of the Board. She is currently the chief specialist of Guangzhou Asset Management Co., Ltd\* (廣州資產管理有限公司). Ms. CHEN has extensive international financial knowledge and management experience with domestic banks in China. From March 2001 to May 2017, Ms. CHEN worked at Beijing Branch of Agricultural Bank of China and served successively as the deputy general manager of the International Business Department of Beijing Branch of Agricultural Bank of China, the assistant to the branch manager of Sub-branch at Development Zone of Beijing Branch of Agricultural Bank of China, the general manager of the International Business Department of Beijing Branch of Agricultural Bank of China, the assistant to the branch manager of Beijing Branch of Agricultural Bank of China, the deputy branch manager of Beijing Branch of Agricultural Bank of China, and an internet finance researcher at Beijing Branch of Agricultural Bank of China. She was the adviser to the CEO office of CNFinance Holdings Limited from June 2017 to March 2020. Ms. CHEN also served as the vice chairman of the board of supervisors of Beijing Institute of International Finance\* (北京市國際金融學會) and the vice president of the Beijing Women Financiers Association\* (北京市女金融家協會). Ms. CHEN received a bachelor's degree in finance from the Department of Finance at Nankai University in 1988 as well as a master's degree and a doctorate degree in international finance from Nankai University in 1991 and 2000 respectively. From June 1991 to March 2001, Ms. CHEN was a teacher and an associate professor of the Department of Finance at Nankai University. Ms. CHEN also passed the Securities Association of China's practice qualification examination for securities practitioner in 2015.

\* For identification purpose only



**Mr. LEE Sai Kai, David**, aged 56, has been appointed as an independent non-executive Director since 13 October 2021. He is also the chairman of the audit committee and the remuneration committee and a member of the nomination committee and investment committee of the Board. He has extensive accounting, financial and management experience in the real estate industry in both the People's Republic of China and Hong Kong. Mr. LEE was a non-executive director of Rainbow Digital Commercial Co., Ltd. (Shenzhen Stock Exchange Stock Code: 002419) from 2007 to 2020. He was an executive director and a non-executive director of Top Spring International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3688) from 2009 to 2015 and from 2015 to 2016, respectively. From 1996 to 2001, he was an executive director and company secretary of ITC Properties Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 199). Mr. LEE received a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Chartered Institute of Management Accountants and a fellow member of the Association of Chartered Certified Accountants.

# Biographies of Directors and Senior Management

## SENIOR MANAGEMENT

### Ms. WANG Xi

Financial Controller

**Ms. WANG Xi**, aged 36, joined the Group in 2012 and is currently the Financial Controller of the Group and a director of a number of subsidiaries of the Company. She oversees finance and treasury function of the Group, including financial planning and analysis, treasury management, controller functions and risk management. Ms. WANG is a Chartered Financial Analyst and a member of Hong Kong Institute of Certified Public Accountants. She holds a Bachelor Degree in Business Administration in Accounting and Finance from the University of Hong Kong and a Master Degree of Science in Financial Analysis from Hong Kong University of Science & Technology.

### Mr. CHEUNG Sin Kei

Company Secretary

**Mr. CHEUNG Sin Kei**, aged 37, joined the Group in 2016. Mr. CHEUNG is currently the Company Secretary of the Company, a director of a number of subsidiaries of the Company and the Associate Director of the Group. Mr. CHEUNG's duty covers corporate governance and company secretarial matters. He has accumulated solid and extensive experience in project management, financial reporting, internal control and corporate governance areas. Prior to joining the Group, Mr. CHEUNG worked for a Hong Kong listed company in real estate industry and an international audit firm. Mr. CHEUNG holds a Bachelor of Business Administration from Lingnan University. He is a Chartered Secretary and an associate member of The Chartered Governance Institute and a member of the Hong Kong Institute of Certified Public Accountants.

# Directors' Report

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

It is the pleasure of the directors of the Company (the "**Director(s)**" or the "**Board**") to present to the shareholders their report (the "**Directors' Report**") and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 (the "**Year**").

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 43 to the consolidated financial statements of the Group.

### RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated income statement of the Group on page 83 of this annual report.

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

### BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2021 (including discussions on the principal risks and uncertainties that the Group may be facing and on the likely future business development of the Group) is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 3 to 4 and pages 5 to 17 of this annual report.

In addition, discussions on the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group and an account of the Group's key relationships with major stakeholders are contained in the section headed "Environmental, Social and Governance Report" on pages 32 to 57 of this annual report.

### SHARE CAPITAL

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

### EQUITY-LINKED AGREEMENTS

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

# Directors' Report

## INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

All of the investment properties of the Group were revalued as at 31 December 2021, as set out in Note 17 to the consolidated financial statements of the Group. Properties under development of the Group as at 31 December 2021 are set out in Note 23 to the consolidated financial statements of the Group. Particulars of the major investment properties and properties under development of the Group as at 31 December 2021 are set out in "Details of Major Investment Properties" and "Details of Properties Under Development" respectively of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 18 to the consolidated financial statements of the Group.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"), amounted to HK\$1,804 million (31 December 2020: HK\$1,367 million). Details of the movement in the reserves of the Group and the Company during the Year are set out in Note 32 to the consolidated financial statements of the Group.

## DIRECTORS

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

SUM Pui Ying (ED) (Chairman)  
LAI Kwok Hung, Alex (ED) (Chief Executive Officer)  
LAM Yee Lan (ED)  
TANG Runjiang (NED)  
ZHOU Yue (NED)  
LO Woon Bor, Henry (INED)  
CHEN Yingshun (INED)  
LEE Sai Kai, David (INED, appointed on 13 October 2021)  
LAW Tze Lun (INED, resigned on 13 October 2021)

Notes:

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

## Directors' Report

In accordance with Article 116 of the Company's articles of association (the "**Articles**"), at each annual general meeting (the "**AGM**") of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation such that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. Pursuant to the above Article 116, Mr. SUM Pui Ying, Mr. TANG Runjiang and Mr. LO Woon Bor, Henry, being three of the Directors who have been longest in office since their last election, will retire from office on the Board by rotation at the forthcoming AGM, and, being eligible, offer themselves for re-election.

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

### DIRECTORS' SERVICE CONTRACTS

None of the Directors (including any Director proposed for re-election at the forthcoming AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

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

Save for the amounts due to shareholders, perpetual bond and the related party transactions of the Group as disclosed in Notes 28, 34 and 41 to the consolidated financial statements of the Group, no other transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries, parent companies or fellow subsidiaries was a party, and in which any Director or a connected entity of any Director had a material interest (whether directly or indirectly) or to which the controlling shareholder of the Company or any of its subsidiaries is a party, subsisted at the end of the Year or at any time during the Year.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

# Directors' Report

## PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Group has taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Company. The level of the coverage is reviewed annually.

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

As at 31 December 2021, 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 Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which were required (i) 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 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 maintained by the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

The share option scheme adopted by the Company on 23 June 2011 (the "2011 Share Option Scheme") is valid and effective for a period of 10 years commencing from 23 June 2011. With effect from 23 June 2021, the 2011 Share Option Scheme has expired.

There was no outstanding share option granted under the 2011 Share Option Scheme as at 1 January 2021. In addition, there was no new share option granted under the 2011 Share Option Scheme during the Year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the Year 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.

# Directors' Report

## CHANGE IN DIRECTOR'S INFORMATION

There is no change in information on Directors since the date of the Interim Report 2021 of the Company and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2021, so far as is known to any Director or chief executive of the Company, 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/<br>capacity                       | Number of ordinary<br>shares of the Company<br>(the "Shares")/<br>underlying Shares | Approximate<br>percentage of<br>interest in the<br>issued Shares<br>as at 31<br>December 2021<br>(Note 1) |
|--|---|---|---|
| Sino-Ocean Group Holding Limited (" <b>Sino-Ocean</b> ")   | Interest of controlled corporation<br>(Notes 3 and 5) | 800,654,083 (L)<br>(Note 4)   | 125.97%   |
| Shine Wind Development Limited (" <b>Shine Wind</b> ")     | Interest of controlled corporation<br>(Notes 3 and 5) | 800,654,083 (L)<br>(Note 4)   | 125.97%   |
| Faith Ocean International Limited (" <b>Faith Ocean</b> ") | Interest of controlled corporation<br>(Notes 3 and 5) | 800,654,083 (L)<br>(Note 4)   | 125.97%   |
| Sino-Ocean Land (Hong Kong) Limited (" <b>SOL HK</b> ")    | Interest of controlled corporation<br>(Notes 3 and 5) | 800,654,083 (L)<br>(Note 4)   | 125.97%   |
| Grand Beauty Management Limited (" <b>Grand Beauty</b> ")  | Beneficial owner<br>(Note 3)                          | 157,986,500(L)  | 24.86%  |
|  | Beneficial owner<br>(Note 3)                          | 377,166,666 (L)<br>(Note 2)   | 59.34%  |
| Total:   |   | 535,153,166 (L)   | 84.20%  |

# Directors' Report

| Name  | Nature of Interest/<br>capacity                | Number of ordinary<br>shares of the Company<br>(the "Shares")/<br>underlying Shares | Approximate<br>percentage of<br>interest in the<br>issued Shares<br>as at 31<br>December 2021<br>(Note 1) |
|---|--|---|---|
| Heroic Peace Limited<br>("Heroic Peace")                        | Interest of controlled<br>corporation (Note 5) | 265,500,917 (L)   | 41.77%  |
| Fortune Joy Ventures Limited<br>("Fortune Joy")                 | Interest of controlled<br>corporation (Note 5) | 265,500,917 (L)   | 41.77%  |
| Sino-Ocean Capital Holding<br>Limited ("Sino-Ocean<br>Capital") | Interest of controlled<br>corporation (Note 5) | 265,500,917 (L)   | 41.77%  |
| Oriental Model Limited<br>("Oriental Model")                    | Interest of controlled<br>corporation (Note 5) | 265,500,917 (L)   | 41.77%  |
| Oceanland Global Investment<br>Limited ("Oceanland<br>Global")  | Interest of controlled<br>corporation (Note 5) | 265,500,917 (L)   | 41.77%  |
| Glory Class Ventures Limited<br>("Glory Class")                 | Interest of controlled<br>corporation (Note 5) | 265,500,917 (L)   | 41.77%  |
| Estate Spring International<br>Limited ("Estate Spring")        | Beneficial owner<br>(Note 5)                   | 265,500,917 (L)   | 41.77%  |
| Hongkong Presstar Enterprise<br>Co., Limited<br>("HK Presstar") | Beneficial owner<br>(Note 6)                   | 45,139,000 (L)  | 7.10%   |
| ZHANG Li  | Interest of controlled<br>corporation (Note 6) | 45,139,000 (L)  | 7.10%   |

Notes:

- (1) The total number of issued Shares as at 31 December 2021 (being 635,570,000 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.
- (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 535,153,166 Shares in which Grand Beauty was interested.

# Directors' Report

- (4) These Shares represent (i) the 535,153,166 Shares in which Grand Beauty was interested; and (ii) the 265,500,917 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 and 30% owned by Joyful Clever Limited. Oriental Model was wholly-owned by Sino-Ocean Capital and Joyful Clever Limited was indirectly 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 265,500,917 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) Pursuant to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant disclosure of interests forms received by the Company as of 31 December 2021. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on such disclosure of interests forms.
- (8) The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at 31 December 2021, 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.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, both the revenue and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total revenue and purchases respectively.

## MANAGEMENT CONTRACTS

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

# Directors' Report

## CONNECTED TRANSACTIONS

The transaction with a shareholder as disclosed in "Related Party Transactions" under Note 41 to the consolidated financial statements of the Group constituted connected transaction or continuing connected transaction which is exempt from shareholders' approval and other disclosure requirements under Chapter 14A of the Listing Rules.

## BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans, overdrafts and other borrowings of the Group are set out in Note 29 to the consolidated financial statements of the Group.

## SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in Note 43 to the consolidated financial statements of the Group.

## CORPORATE GOVERNANCE

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

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

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

## EMOLUMENT POLICY AND RETIREMENT BENEFITS OF THE GROUP

The emolument policy of the senior employees of the Group is set and recommended by the remuneration committee of the Company (the "**Remuneration Committee**") to the Board on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company's operating results, individual performance of the Directors and comparable market statistics.

The Company had a share option scheme as an incentive to the Directors and eligible employees of the Group, as disclosed in the section headed "Share Option Scheme" above. Such share option scheme has expired with effect from 23 June 2021.

# Directors' Report

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 13 and 14 to the consolidated financial statements of the Group.

Details of the Group's retirement benefits scheme are set out in Note 39 to the consolidated financial statements of the Group.

None of the Directors waived or agreed to waive any remuneration during the Year.

## REVIEW BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the consolidated financial statements of the Group as of 31 December 2021. The audit committee has also discussed with the management of the Company the accounting policies and practices and internal controls adopted by the Company. Based on the above review and discussion with the management of the Company, the audit committee is satisfied that the consolidated financial statements of the Group have been prepared in accordance with the applicable accounting standards.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by BDO Limited, who would retire at the conclusion of the forthcoming AGM of the Company, and being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

**LAI Kwok Hung, Alex**

*Executive Director and Chief Executive Officer*

Hong Kong, 11 March 2022

# Environmental, Social and Governance Report

## About This Report

Gemini Investments (Holdings) Limited (“**Gemini**” or the “**Company**”, and together with its subsidiaries, “**We**”, “**Us**”, “**Our**” or “**Our Group**”) is pleased to present this Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”), covering the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”). This Report provides information regarding our approach, commitment as well as accomplishments on various ESG aspects covering different material topics, aiming to offer our stakeholders a complete picture of our performance in this respect.

## Reporting Scope

The scope of this Report, unless otherwise specified, covers the Group’s five business segments, namely, property investment in the United States of America (the “**U.S.**”), property development in the U.S., property investment in Hong Kong, fund investments and securities investment business. The properties and offices subject to reporting are determined by considering factors such as shares of the Group’s revenue and total gross floor area, as well as the significance of the operations, with the aim to reflect the majority of the Group’s businesses that are deemed ESG material. Compared to last year, quantitative ESG data related to Gemini-Rosemont Realty LLC (“**GR Realty**”)’s operations of property development projects and investment properties have been newly included in disclosure this year due to the consolidation of and classification of GR Realty as a subsidiary of the Company in July 2020. As such, number and gross floor area of properties, as well as number of property development projects being reported significantly increased, resulting in relatively higher amount of greenhouse gas emissions, fuel consumption and waste disposal during the Reporting Period. While qualitative ESG information such as policy and initiatives of GR Realty’s operations was also disclosed last year.

## Reporting Standard and Principles

Regarding reporting standard, this Report is prepared in compliance with the requirements set forth in Appendix 27 Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). This Report, in its preparation, adhered to several principles including but not limited to:

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

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

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

**Balance:** this Report aims to provide an unbiased picture of the Company’s ESG performance, while avoiding selection, omission or presentation formats that may mislead the reader.

# Environmental, Social and Governance Report

## ESG Aspiration

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

### **Responsible service supplier**

who puts customers' interests at heart of its business

### **Responsible employer**

who cares for its employees' wellbeing and development

### **Responsible corporate citizen**

who protects the environment and strives to improve social harmony

## Progress of the year

Following our ESG aspiration to be a responsible service supplier, employer and corporate citizen, we continued to make progress this year in various ESG aspects.

**Established environmental targets** on emission reduction, energy consumption and waste reduction for Hong Kong operations.

**Disclosed more social key performance indicators**, including that related to employee training and suppliers.

# Environmental, Social and Governance Report

## ESG Governance

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



The board of directors of the Company (the “**Board**”) is responsible for our ESG strategy and reporting including evaluating and determining our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Chaired by an executive director and comprising heads of different key operation departments, the ESG Working Group executes the ESG strategies and practices determined by the Board, as well as directly monitors ESG-related risks and internal controls. In addition, it is responsible for incorporating ESG elements into our business operations. The ESG Working Group reports to the Board annually on ESG issues, including ESG policies, practices and performance, for the Board to review and make adjustments on the Group’s ESG strategies accordingly. Meanwhile, the company secretarial department of the Company works closely with other relevant departments to facilitate the ESG reporting process. Both the Board and the ESG Working Group have to review the ESG Report so as to ascertain the information disclosed in the ESG Report.

As part of the Company’s enterprise risk management, the senior management of the Group identifies key business and operational risks (including ESG-related risks) in terms of their vulnerability and impact on an annual basis, risk owners are assigned and risk mitigation plans are designed accordingly to ensure effective risk management. An independent professional adviser has been engaged to conduct annual assessment of our Group’s internal controls so as to identify potential control deficiencies. The adviser will make improvement recommendations where necessary. Our management has provided a confirmation to the Board on the effectiveness of our risk management and internal control systems.

# Environmental, Social and Governance Report

## Stakeholder Engagement

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

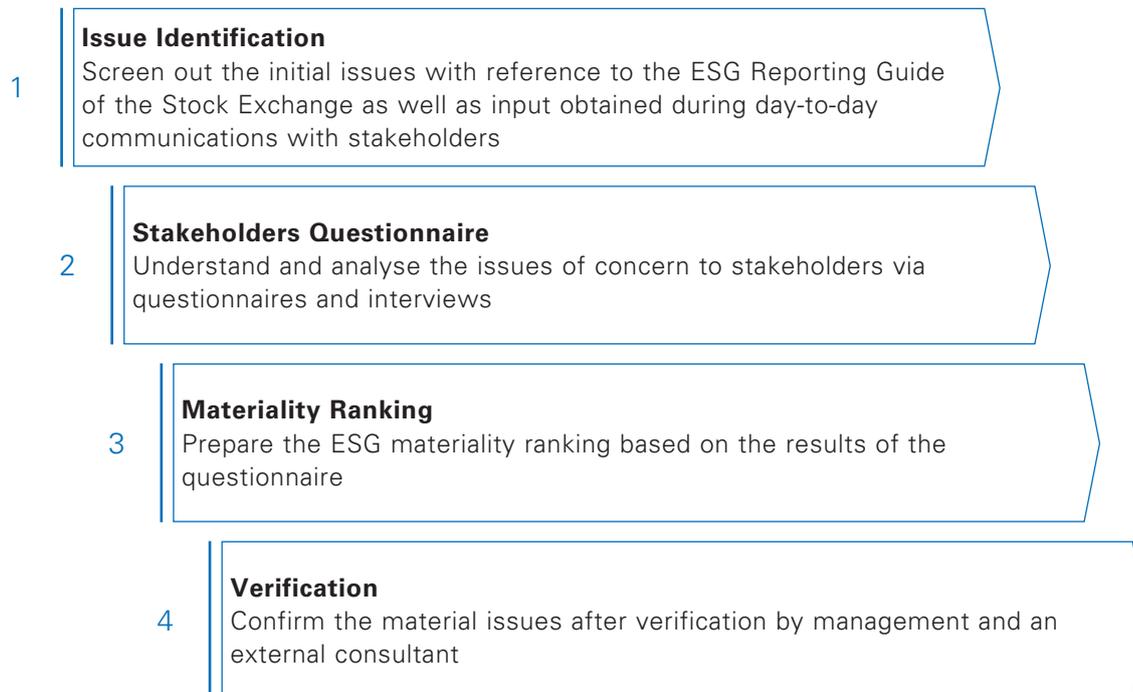
| <b>Stakeholder Groups</b>                     | <b>Engagement Channels</b>   |
|---|--|
| <i>Employees</i>                              | <ul style="list-style-type: none"><li>• Internal Emails and Publications</li><li>• Meetings and Briefings</li><li>• Training</li><li>• Employee Activities</li><li>• Performance Appraisal</li></ul> |
| <i>Clients</i>                                | <ul style="list-style-type: none"><li>• Corporate Website</li><li>• Client Meetings</li></ul>  |
| <i>Investors and Stockholders</i>             | <ul style="list-style-type: none"><li>• Annual General Meeting</li><li>• Annual and Interim Report</li><li>• Press Release and Announcements</li></ul>   |
| <i>Suppliers and Business Partners</i>        | <ul style="list-style-type: none"><li>• Business Meetings</li></ul>  |
| <i>Government and Supervising Authorities</i> | <ul style="list-style-type: none"><li>• Email and Phone Communications</li></ul>   |
| <i>Social Groups and Public</i>               | <ul style="list-style-type: none"><li>• Email and Phone Communications</li></ul>   |
| <i>Media</i>                                  | <ul style="list-style-type: none"><li>• Press Release</li></ul>  |

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

# Environmental, Social and Governance Report

## Materiality Assessment

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



A total of 30 material issues were identified. Both internal and external stakeholders were then invited to complete a questionnaire for ranking the issues. The results are mapped into a materiality matrix shown below. Out of which 8 issues are classified as highly important, 15 issues are classified as important and the remaining 7 as partially important. The issue 'Biodiversity' is excluded from reporting due to immateriality after review by management.

Compared to previous year, there were changes in the relative importance of certain ESG issues. Please see below for details:

### Upgrade



#### To Highly Important

#3 Working Hours and Holiday

#### To Important

#19 Hazardous Waste

### Downgrade



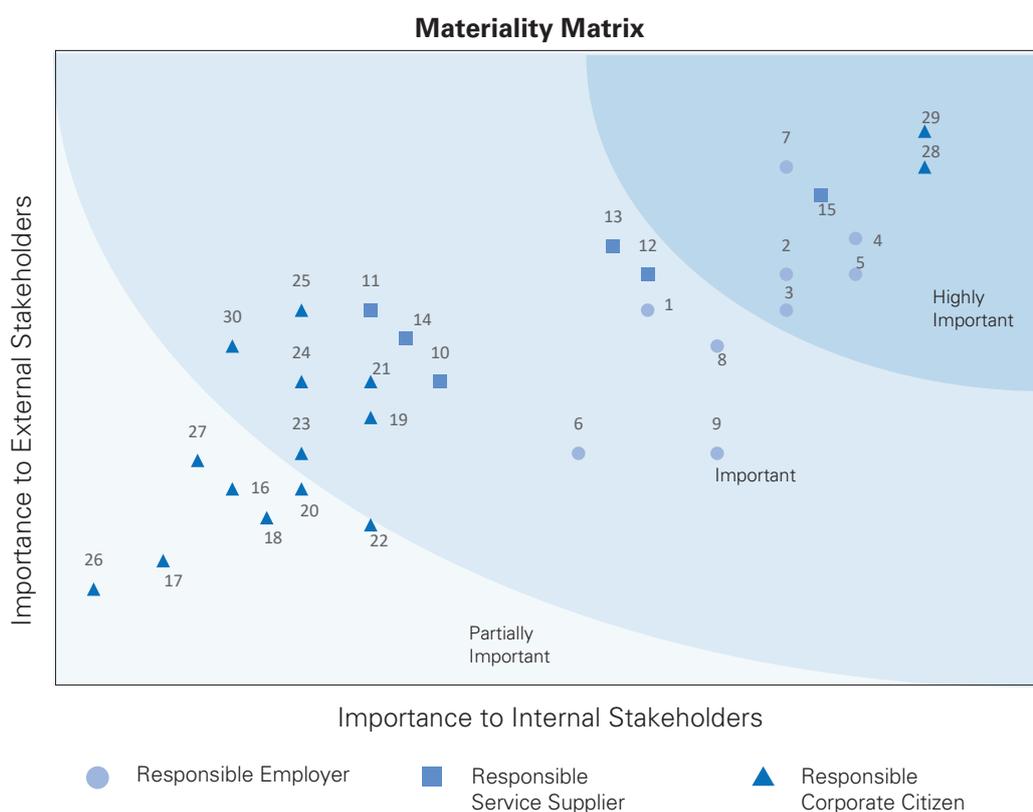
#### To Important

#12 Advertising and Labelling  
#13 Customer Data Privacy

#### To Partially Important

#27 Noise Pollution

# Environmental, Social and Governance Report



## Material Issues

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

# Environmental, Social and Governance Report

## Responsible Employer

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

### **Occupational Health and Safety**

We are committed to providing and maintaining a healthy, safe, and hygienic workplace for all employees and related parties that are likely to be affected by our operations and activities. Health and safety issues are given prime consideration in our operations, and regulatory compliance is strongly upheld. Employees at every level are committed to and accountable for the delivery of the safety initiatives in order to maintain a vigorous and injury-free culture. Such standards are set forth in our employee handbook, and are in compliance with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong. Measures set forth in these guidelines are constantly reviewed and taken to continuously improve the health and safety conditions in the workplace.

In parallel, we take the same precautions for our business operations in the U.S. We recognise the relatively higher health and safety risks at construction site of property development project, and adopt necessary measures to mitigate the risks. When screening for construction manager, track record in worker safety and effectiveness of in-house safety programs are examined carefully. Those with unsatisfactory performance in this regard will be viewed negatively. As such, the construction manager we have appointed has excellent track records in providing safe job sites in full compliance with the New York City (“**NYC**”) Building Code and Safety regulations, as well as the NYC Building Code Chapter 33 “Safeguards During Construction or Demolition” and Occupational Safety and Health Act (“**OSHA**”) Regulations (Standards — 29CFR).

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

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

Furthermore, during construction phase, we assign designated site safety personnel to support implementation of safety work practices and perform regular on site monitoring. Meanwhile, we have purchased our own supply of hard hats, goggles, and gloves to ensure that all staff have the appropriate and required protective equipment when visiting construction site. In addition, regular trainings are provided to onsite personnel to ensure familiarity of the processes and procedures and full compliance with the aforementioned regulations.

While the operations of our investment properties in the U.S. incur lower health and safety risks, we focus on providing proper safety training and equipment, safe working conditions and access to resources to maintain and improve employee’s wellbeing. Through clear expectations, ongoing education, communication, and engagement, we reduce the number of injuries and accidents that happen in our workplace, and ensure full compliance with OSHA.

# Environmental, Social and Governance Report

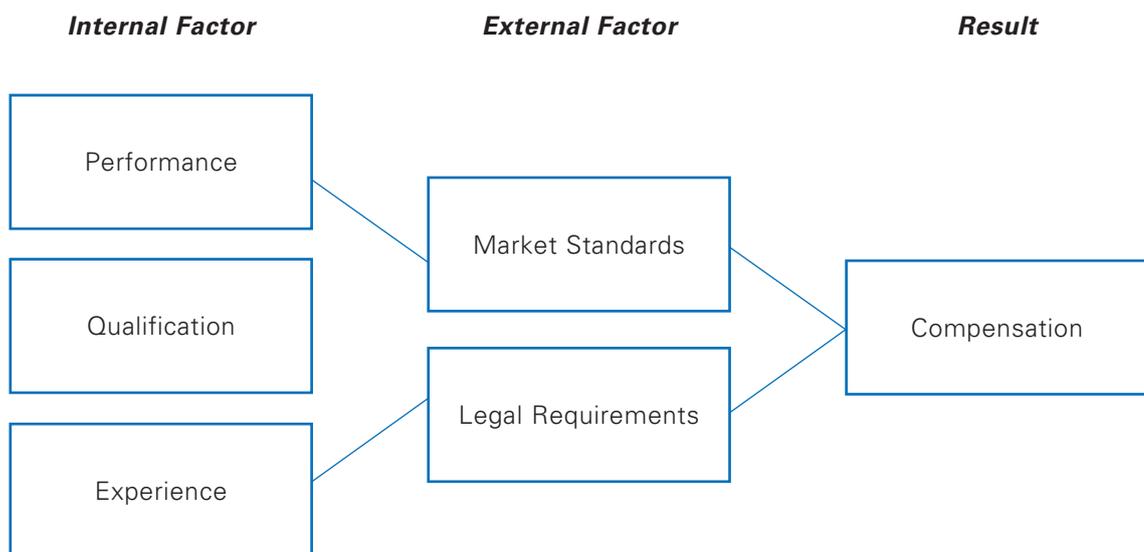
There were no material non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period.

## **Compensation, Recruitment, Promotion, and Termination**

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

The level of compensation of our employees is reviewed annually on a performance basis with reference to their qualifications, performance and experience, meanwhile subjecting to market standards and legal requirements. Such mechanism ensures employees are rewarded fairly according to their capabilities and external conditions. We strictly abide to relevant employment rules and regulations stipulated in the Employment Ordinance (Cap. 57) and Employees' Compensation Ordinance (Cap. 282) of Hong Kong, as well as the Fair Labour Standards Act of the U.S., and such policies are also highlighted in our employee handbook. Working hours, leaves, remuneration and other employment practices are reviewed regularly to ensure the compliance with latest labour laws and regulations and the norms of the markets where our Group operates.

### **Compensation Determination Mechanism**

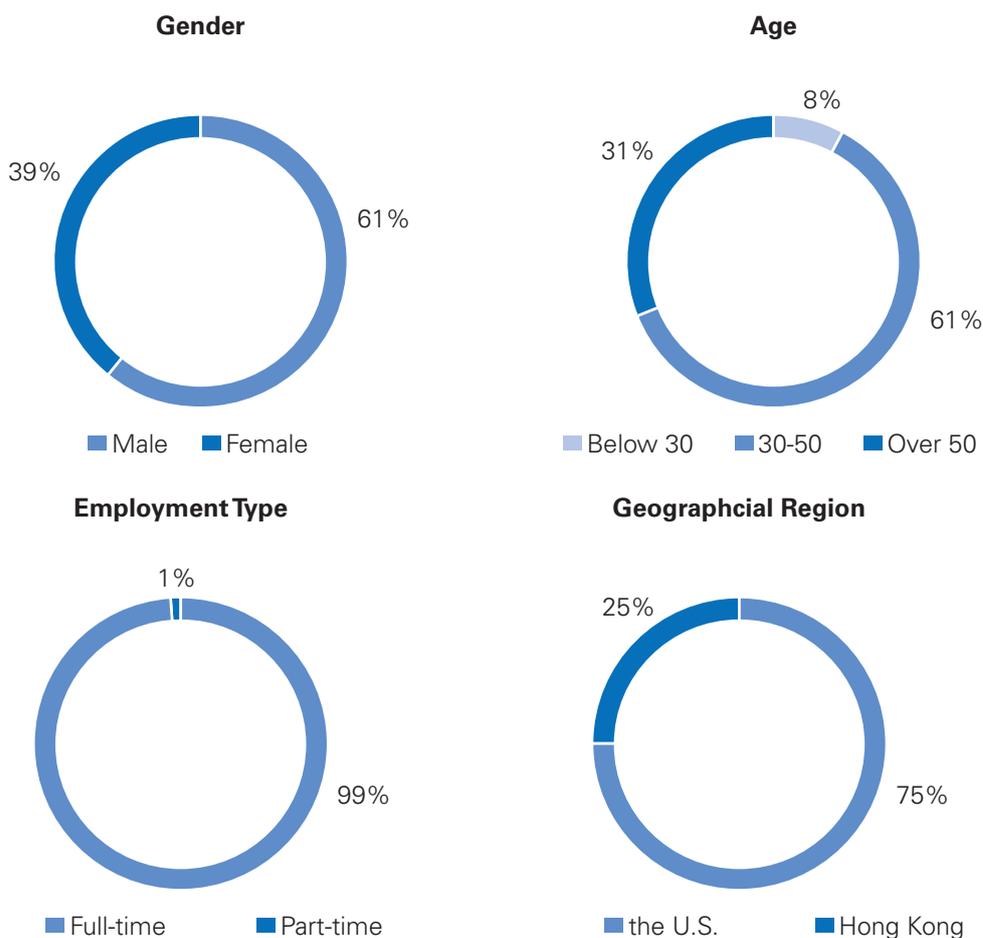


# Environmental, Social and Governance Report

For our property development projects in the U.S., our subsidiary has entered into a management agreement as the property owner (“**Owner**”) with an agent (“**Owner’s Agent**”), where the Owner’s Agent retains staff as necessary for the efficient running of the projects.

As at 31 December, 2021, there was a total of 89 employees (2020: 155 employees), in Hong Kong and the U.S., staffed in the properties and offices subject to the reporting scope<sup>1</sup>. Detailed breakdowns as below:

## Total Workforce



<sup>1</sup> In 2021, the number of employees reported represents the employees staffed in offices and properties selected to be included in reporting scope. It may not be the same as the number of employees disclosed in the Annual Report, which represents all employees of the Group. The decrease in number of employees was partly due to alignment of reporting scope on social data and environmental data for GR Realty in 2021, in which offices with material environmental and social impact were being selected to be included in reporting scope.

During the Reporting Period, total employee turnover was 14, among which 4 were male and 10 were female. 7 of them were located in Hong Kong and 7 of them were located in the U.S. Moreover, 12 were within the age range of 30-50, whilst 2 were over 50.

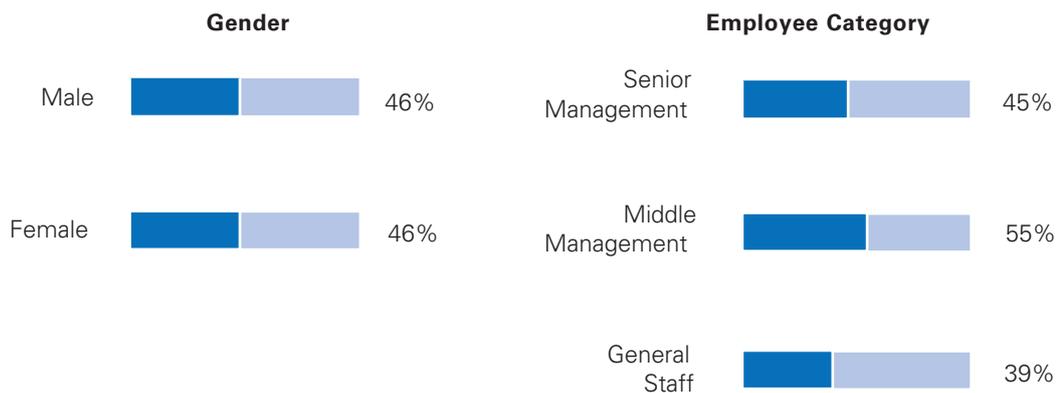
As the total workforce breakdown and employee turnover breakdown provided in 2020 excluded GR Realty’s employees, relevant data are not directly comparable to that of 2021, thus they are not shown here to avoid confusion.

# Environmental, Social and Governance Report

## Development and Training

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

During the Reporting Period, a total of 41 employees were trained. Details of percentage of employees trained are shown below:



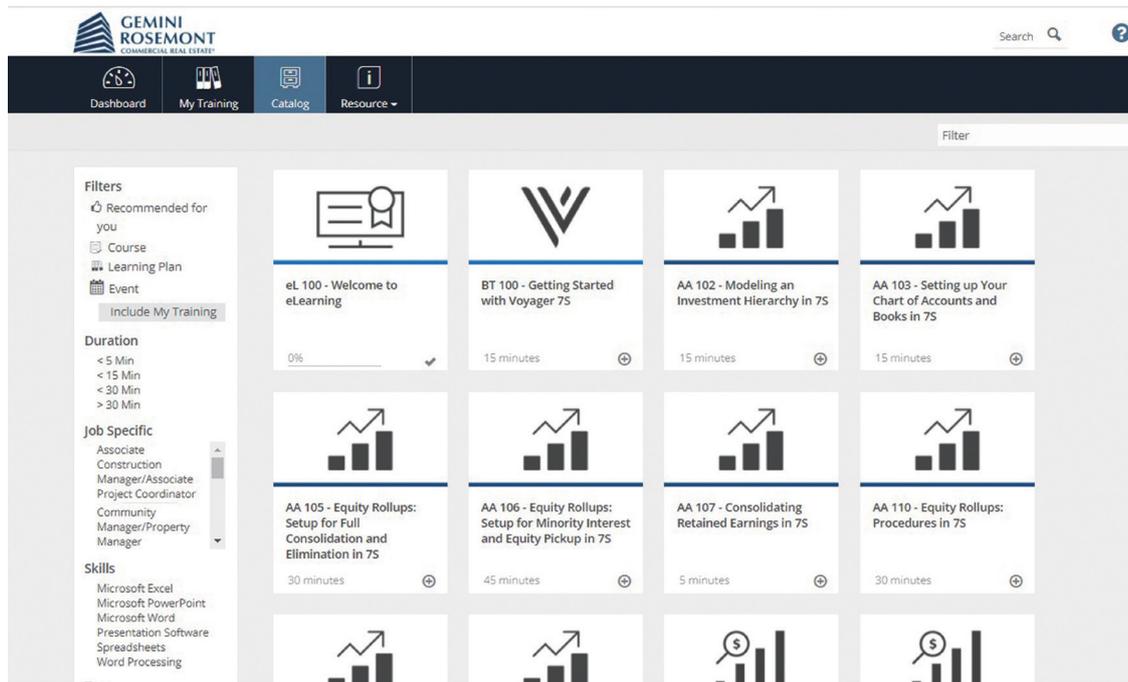
Details of average training hours are shown below:



In terms of our property development projects in the U.S., our construction manager and trade contractors have implemented training programs to educate workers on construction health and safety, as well as other relevant construction knowledge and skills.

# Environmental, Social and Governance Report

Meanwhile, ample time has been dedicated to ensure that relevant personnel of the Gemini Rosemont office have the proper certifications and trainings required to enter the job site. All relevant personnel are required to hold the OSHA 10 Hour Safety Training certificate in order to be eligible for new building construction works.



For our investment properties operations in the U.S., we deploy the Yardi Learning system to deliver safety and business related coursework, with the aim to nurture leaders with strong business acumen who can consistently perform at a high level and effectively coach, teach and train others. Meanwhile, web based training sessions are also offered on areas such as employee benefits, goal planning, safety and anti-discrimination.

# Environmental, Social and Governance Report

## ***Employee Benefits, Welfare, Working Hours and Holiday***

We appreciate the contributions of our employees to the Group's business development and are committed to improve their welfare in return. On top of basic monthly salary, a wide range of benefits are provided to employees as part of the employee benefits package, which are tailored to cater for the needs of employees in different operating regions.

### ***We provide various benefits to our employees including***

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

We have also been fully in compliance with each domestic regulation allowing eligible employees leaves of absence for medical reasons or their beloved family who is under serious health condition. We do not require and encourage employees to work excessive overtime as we advocate work-life balance. We also offer the paid time off program, which increases flexibility in managing time off.

Meanwhile, other fringe benefits including meal subsidies, travelling allowances, medical and compensation work injury insurance and pension schemes are offered for all employees. We also offer early release for staff on major festivals, allowing them to spend time with their beloved family and friends. The degree and content may vary across different operational regions with reference to its culture and value.

Furthermore, we understand the importance of maintaining work-life balance to both the mental and physical health for our employees. As such, social and recreational activities are regularly arranged for them, with an aim to relieve their pressure at work. In the long term, it will also enhance their productivity and efficiency, making our operations more sustainable. With this in mind, we organise engagement activities such as festival luncheon and dinner to keep our employees in touch after work regardless of department, team and seniority. However, due to the COVID-19 pandemic, as a responsible employer, we cancelled large group activities to prevent our employees from crowded infection.

## ***Equal Opportunity, Diversity and Anti-Discrimination***

We believe cultural and individual diversity fosters innovation and enhances productivity. Thus, we strongly advocate cultural diversity, value and respect individual differences. We aim at creating an inclusive workplace by adopting non-discriminatory hiring and employment practices, with the principle that no one should be treated less favourably because of their personal characteristics, including but not limited to gender, pregnancy, marital status, disability, family status and race. Opportunities for employment, training, and career development are equally opened to all qualified employees, where they are assessed by experienced personnel through objective criteria.

# Environmental, Social and Governance Report

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

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

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

## ***Anti-child and Forced Labour***

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

In the construction management agreement with our construction manager for our property development projects in the U.S., there contains specific language subjecting the agreement to be governed by the laws of the State of New York, providing an extra safeguard against the use of child or forced labour by contractors. In case such unethical labour practices are discovered, we require immediate corrective actions including dismissal of such labour with appropriate compensations. Such requirement also applies to all vendors and subcontractors of the construction manager.

With the above measures, we ensure strict compliance with the Labour Law in Hong Kong and Federal Fair Labour Standards Act (FLSA) monitored by the U.S. Department of Labour. Meanwhile, we regularly review our employment practices to ensure effective control measures are in place (e.g. identity and age verification process) to prevent child and forced labour.

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

# Environmental, Social and Governance Report

## **COVID-19 Pandemic**

The outbreak of COVID-19 since December 2019 has created a serious global public health crisis and caused significant disruption to economic activities worldwide. As a responsible employer, we have taken various measures to safeguard the health and safety of our employees. For instance, we advised employees to work remotely as possible; increased cleaning frequency at our office premises and reconfigured office workstations to maintain social distancing; provided face masks, hand sanitizer and sanitizing wipes to employees; and established procedures for tracking employees' health status and risk exposure. Same attention has also been devoted to construction workers, in which our construction manager has established formal plan to communicate the responsibilities of site managers, supervisors and personnel explicitly, as well as implemented various precaution measures at construction site including temperature check and physical distancing. While COVID-19 is expected to remain in place in the near future, we will continue to monitor the situation and take necessary actions to protect our employees.

## **Responsible Service Supplier**

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

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

## **Customer Data Privacy**

We respect data privacy of our customers and take responsibilities in protecting our customers, both existing and prospective, in this respect. In our business operations, we maintain a high standard of security and confidentiality in handling the sensitive information we receive and possess, including but not limited to personal data and bank account information. For instance, during the marketing phase of our property development projects, our brokerage team and brokers will collect data from prospective buyers. With great prudence, we ensure strict compliance with relevant data privacy laws and regulations, such as the Personal Data (Privacy) Ordinance (Cap. 486) in Hong Kong, as well as statutory requirements of the US such as the Federal Trade Commission Act (15 U.S.C., 41-58). We also require the same of those working on our behalf, such as our real estate brokerages.

# Environmental, Social and Governance Report

To provide our employees with clear instructions and support them on customer data protection matter, we have established relevant policies and procedures on data collection, data usage, data transfer and data security, with fundamental principles as follows:

## **Data Collection**

Collect customer data only when necessary for conducting business

## **Data Usage**

Use customer data only for the purpose of collection unless new consent is obtained

## **Data Transfer**

Prohibit transfer or disclosure of customer data to other parties unless required by law or was previously notified

## **Data Security**

Maintain appropriate security systems and measures to prevent unauthorized access

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

## **Product Safety and Service Quality**

We are committed to providing customers with quality products and services. We aim at building good corporate reputation by delivering high quality property projects which bring a comfortable living environment and satisfaction to our customers, thereby developing customer loyalty. Prior to making a procurement order, we thoroughly review all construction materials, equipment and components. Further, we have established a set of quality standards to govern different aspects of construction work including the construction work procedures, construction materials and quality of finished components. We are especially concerned with product safety issues of our properties, and we take responsibilities to ensure they are in good conditions before delivery to customers. Property development projects that fail to meet the standards will not be accepted by the Group. On top of strict enforcement, these standards have also been regularly reviewed to maintain awareness and conformance to national and local laws as well as voluntary codes.

As for our investment properties in the U.S., we perform regular inspection and maintenance of building equipment including lifts, lighting and fire extinguishers to ensure they are operating safely and effectively. Periodic fire drills are also conducted to enhance the familiarity with emergency policy and procedures of property workers and tenants. No material health and safety related complaints were received regarding our products and services during the Reporting Period.

# Environmental, Social and Governance Report

## ***Advertising and Labelling***

We believe customer loyalty is the basis of long-term success of a corporate, where such loyalty is built through continuous, sincere and truthful interaction. Therefore, we adopt ethical sales and marketing practices with customers' interest at heart of the whole process. All information on our advertisements and labelling is reviewed before publication to ensure no false or misleading information is included. We strictly comply with relevant regulations and standards in this respect, and also require our property development agent to be compliant during the stage of property sales. Such regulations related to property sales include but not limited to the Regulations Governing Real Estate Syndication Offerings, Conversion of Occupied Residential Property to Cooperative Ownership, Newly Constructed, Vacant or Non-Residential Condominiums and Newly Constructed and Vacant Cooperatives (Part 16, and 20 of Title 13 New York Codes, Rules and Regulations).

## ***Intellectual Property Rights***

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

## ***Supply Chain Management***

We encourage asset managers, suppliers, consultants and contractors alike to maintain high standards on business ethics and conduct, and strive for constant satisfactory environmental and social performance. During the selection and evaluation processes, we adopt a fair basis with defined assessment criteria to ensure that only qualified suppliers, consultants and contractors are engaged with no conflict of interest. Such high standard is also extended to management of our subcontractors, where our construction manager (representing our stake) for the property development project in the U.S. has been involved in the process of subcontractor selection, initiated by our construction manager, at various points to ensure quality and efficiency.

As at 31 December 2021, the Group had a total of 249 major suppliers, including legal advisors, professional service providers and utility companies. 72 of which were located in Hong Kong and 161 were located in the U.S, while the remaining suppliers were located in other regions.

# Environmental, Social and Governance Report

## ***Environmental and Social Performance of Suppliers***

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

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

## **Responsible Corporate Citizen**

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

As part of our commitment to environmental protection, we have newly established targets on emission, waste, and energy consumption for our Hong Kong operations, which are presented below:

| <b>Aspect<sup>1</sup></b> | <b>Target (Hong Kong operations)</b>  |
|---------------------------|---|
| Emission                  | Reduce petrol consumption intensity by 4.5% by 2030, against the level of 2021 (145 litre per headcount)      |
| Waste <sup>2</sup>        | Reduce paper waste generation intensity by 5% by 2030, against the level of 2021 (13.3 kg per headcount)      |
| Energy                    | Reduce electricity consumption intensity by 2.5% by 2030, against the level of 2021 (1,540 kWh per headcount) |

<sup>1</sup> Amount of water consumed by Hong Kong operations is immaterial, and relevant data is not available to the Group while water supply and discharge are solely controlled by the building management. Thus, setting water reduction target is considered unnecessary and infeasible.

<sup>2</sup> Amount of hazardous waste generated by Hong Kong operations is immaterial, thus setting target for hazardous waste reduction is considered unnecessary.

# Environmental, Social and Governance Report

Relevant initiatives to support the achievement of the targets are discussed in later sections of this chapter. As for our U.S. operations, while GR Realty accounts for a significant amount of environmental impacts, and the data of which have only been reported starting from this financial year, we are in the process of analysing their operational implications and will establish targets afterward.

## **Emissions**

In accordance with the Group's business segments, greenhouse gases emissions and solid wastes (which will be addressed in the subsequent section) generated by our offices and investment properties are the major types of emissions. We do not have significant discharges into water, and other air emissions are relatively minor (a total of 26.6kg of NOx, 0.6kg of SOx and 2.0kg of PM were generated in 2021 through the use of vehicle).

Regarding our property development projects in the U.S., they were at different stages ranging from demolition to early construction. While one of the major concerns is dust migration, various control measures have been adopted including the covering of trash removal vehicles, proper storage of dust generating materials and use of water sprinkler system to reduce blowing dust. As for water discharges, the foundations subcontractor employed a holding tank to treat and recycle water on site, in order to prevent site groundwater from being pumped into the city sewer system. As the construction works are outsourced to professional contractors, our group has no direct control on the construction works and thus the emission data from construction activities are not included in the scope of this Report.

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

| <b>Greenhouse gas ("GHG") emission<sup>1</sup> (in tonnes CO2e)</b> | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Direct (Scope 1) Emissions  | 112.4       | 8.1         |
| Direct (Scope 1) Emissions Intensity by Headcount <sup>2</sup>      | 1.3         | 0.3         |
| Indirect (Scope 2) Emissions  | 119.2       | 27.8        |
| Indirect (Scope 2) Emissions Intensity by Headcount                 | 1.3         | 0.9         |
| Other Indirect (Scope 3) Emissions                                  | 473.2       | 276.6       |
| Other Indirect (Scope 3) Emissions Intensity by Headcount           | 5.3         | 8.9         |

<sup>1</sup> Carbon emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the emission factor published by the electricity provider, the "UK Government GHG Conversion Factors for Company Reporting" issued by the Department for Business, Energy & Industrial Strategy of the United Kingdom and the emission factor published by the U.S. Energy Information Administration.

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

Direct (Scope 1) GHG emissions were mainly resulted from the consumption of petrol by vehicle. Indirect (Scope 2) GHG emissions were mainly resulted from the consumption of electricity. Other indirect (Scope 3) GHG emissions were mainly resulted from construction waste, with use of paper having a tiny amount contribution. The significant increase in Scope 1 and Scope 2 GHG emissions were mainly resulted by the inclusion of environmental data of investment property operations and office operations under GR Realty into reporting scope during the Reporting Period.

# Environmental, Social and Governance Report

Despite having only minimal direct emissions, our Group strives to reduce the greenhouse gases generated from our operations so as to relieve the climate change. Our Hong Kong operations are monitored under the controls of the Environment Bureau, while our US operations are fully aligned with the monitoring under the US Environmental Protection Agency. In line with the Group's stance in this respect, our construction manager has implemented different measures as mentioned above to ensure full compliance with applicable laws and regulations including the NYC Building Code.

## Wastes

We uphold the principles of waste management. Practices established for proper handling and disposal of all wastes from our business activities comply with relevant laws and regulations, such as the Waste Disposal Ordinance (Cap. 354) of Hong Kong and the Resource Conservation and Recovery Act (RCRA) Regulations of the US in handling non-hazardous waste, in all material respects. There were no material non-compliance cases noted in relation to environmental laws and regulations for the Reporting Period.

During the Reporting Period, the major type of non-hazardous waste generated directly by the Group was paper, which accounted for roughly 28% of the total non-hazardous waste generated. Other non-hazardous wastes generated included plastic, metal cans and general waste. They were resulted from our offices and investment properties operations. On the other hand, certain amount of hazardous wastes generated included batteries, fluorescence tubes and wastes from electronic and electrical equipment; with fluorescence tubes accounting for 47% of total hazardous waste generated. They were mainly resulted from our investment properties operations under GR Realty, while our offices operations contributed an immaterial amount. Total non-hazardous wastes and hazardous wastes disposed and recycled were shown as below:

### Office/Investment Properties

| Non-hazardous Waste (in kg)            | 2021  | 2020 |
|--|-------|------|
| Total Disposal <sup>1</sup>            | 1,328 | 70   |
| Total Disposal Intensity by Headcount  | 14.9  | 2.3  |
| Total Recycling                        | 1,031 | 293  |
| Total Recycling Intensity by Headcount | 11.6  | 9.8  |

### Office/Investment Properties

| Hazardous Waste (in kg)                | 2021  | 2020             |
|--|-------|------------------|
| Total Disposal <sup>1</sup>            | 10.4  | N/A <sup>2</sup> |
| Total Disposal Intensity by Headcount  | 0.1   | N/A              |
| Total Recycling                        | 400.1 | N/A              |
| Total Recycling Intensity by Headcount | 4.5   | N/A              |

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

<sup>2</sup> Immaterial amount of hazardous waste was generated in 2020 by our offices operations, and thus was not disclosed in 2020.

# Environmental, Social and Governance Report

Significant increase in disposal of non-hazardous waste was seen during the Reporting Period due to the inclusion of environmental data of investment property operations and office operations under GR Realty into reporting scope in the Reporting Period. Intensity of which increased as the gross floor area of the investment properties under GR Realty was considerably higher than that of the administrative offices being reported in 2020, despite the number of employees in investment properties were not higher than that in administrative offices by the same scale.

We will continue to reduce, reuse and recycle throughout our operations to minimize the disposal of wastes to the landfill. Green office practices such as encouraging double-sided printing and copying and promoting the use of recycled papers are implemented to minimize the disposal of wastes. In addition, appropriate facilities such as recycling bins are provided in our offices to facilitate source separation and waste recycling. For our office in Manhattan co-working space, administrative wastes are limited through leveraging on pooled resources, such as shared printers and other common facilities, and use of recycled paper, metal and plastics. As for our investment properties in the US, we also recycle lamp and batteries where possible.

Regarding our property development projects in the US, major construction wastes generated during the Reporting Period were card board, masonry, timber, gypsum, metal and other residual trash. Our construction manager has implemented a construction waste program to reduce and segregate wastes during the construction process, with most of the wastes diverted from landfill. Details of construction wastes produced during the Reporting Period are shown below:

| <b>US Property Development Project<br/>Construction Waste (in tonnes)</b> | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Card Board  | 126         | 45          |
| Masonry   | 138         | 57          |
| Timber  | 367         | 266         |
| Gypsum  | 232         | 48          |
| Metal   | 102         | 39          |
| Residual Trash  | 76          | 20          |
| Aesbestos   | 85          | N/A         |

The increase in the amount of construction waste was mainly because the increase in number of property development projects being reported, following the inclusion of environmental data of property development projects under GR Realty into reporting scope in the Reporting Period.

In addition, in compliance with the requirements by the Resource Conservation and Recovery Act (RCRA) Regulations of the US in handling non-hazardous waste, we will hire soil engineer consultant to test and characterize all soil being removed from the project site during the excavation and foundations period. The consultant will establish a plan for the removal of soil from the project that complies with all City, State and Federal laws.

Hazardous waste (Asbestos) may also be removed during demolition phase of the projects. Such work of removing, handling and disposing hazardous wastes are conducted by certified contractors in compliance with local laws and regulations.

# Environmental, Social and Governance Report

## **Use of Resources**

We recognise the scarcity of resources and we are committed to conserve resources for environmental and operating efficiency purposes. We have implemented multiple measures to enhance energy efficiency, minimize the use of papers, reduce water consumption and drive behavioural changes of employees. Through actively monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints. Use of packaging materials is not relevant to our businesses, while details of energy and water consumptions will be discussed below.

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

| <b>Electricity (in kWh)</b>        | <b>2021</b> | <b>2020</b> |
|------------------------------------|-------------|-------------|
| Consumption                        | 280,698     | 34,345      |
| Consumption Intensity by Headcount | 3,154       | 1,145       |

Total electricity consumption across the Group in 2021 was 280,698 kWh (excluding that used for construction by the contractors of property development projects, which we have no direct control).

| <b>Fuel</b>  | <b>2021</b> | <b>2020</b>      |
|--|-------------|------------------|
| Petrol Consumption (litre)                                   | 40,263      | 2,998            |
| Petrol Consumption Intensity by Headcount (litre)            | 452         | 100              |
| Natural Gas Consumption (cubic meter)                        | 1,643       | N/A <sup>1</sup> |
| Natural Gas Consumption Intensity by Headcount (cubic meter) | 18          | N/A              |

<sup>1</sup> No natural gas was consumed in 2020 by our offices operations. Natural gas consumption in 2021 was contributed by the investment properties operations, which was included into reporting scope starting from 2021.

Consumption of petrol in 2021 was 40,263 litre. The significant increase in fuel consumption was mainly due to the inclusion of environmental data of investment property operations and office operations under GR Realty into reporting scope in the Reporting Period. The resulting increase in gross floor area of investment properties and offices being reported led to higher electricity consumption, and the use of vehicle by GR Realty investment property operations and office operations also contributed to higher overall petrol consumption of the Group. During the Reporting Period, there was also natural gas consumption by our investment properties operations for heating and cooking purposes. As for other fuels, while our property development project in the U.S. did use gasoline and diesel powered generators, vehicles and machinery, since construction work was planned and carried out by construction manager, we have no direct control over the consumption of these fuels during construction and thus relevant data are not in the scope of this Report.

# Environmental, Social and Governance Report

Our Group has executed various initiatives throughout our operations. For offices in Hong Kong, we have implemented policy on switching off idle lightings and electrical appliances, as well as deploying energy efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department. These initiatives successfully reduced electricity consumption from our business activities. For our investment properties in the U.S., we have replaced inefficient incandescent and fluorescent lighting with LED lighting, installed occupancy sensors and day-light harvesting ballasts to reduce electricity consumption. In addition, we sought to limit energy use during the construction period through the deploying low energy-use LED fixtures for temporary lightings as possible. We have sought to design new buildings that will conserve energy through its lifecycle in meeting the requirements of the 2016 Energy Conservation Code.

Regarding the use of water, our investment properties operations in the U.S. contributed the majority of consumption. While our offices in Hong Kong and the U.S. also incurred water use, the amount of which could be considered immaterial due to limited number of staff and the nature of our Group's businesses. Details of water consumption during the Reporting Period are shown below:

| <b>Water (in cubic meter)</b>      | <b>2021</b> | <b>2020</b>      |
|------------------------------------|-------------|------------------|
| Consumption                        | 3,391       | N/A <sup>1</sup> |
| Consumption Intensity by Headcount | 38          | N/A              |

<sup>1</sup> Water supply and discharge of our office premises (excluding that of GR Realty) are solely controlled by the building management, relevant water withdrawal and discharge data or sub-meter for individual occupant are not available. Thus no water consumption data was reported in 2020. The water consumption reported in 2021 was contributed by the investment properties owned by GR Realty, which was included into reporting scope starting from 2021.

In order to build the awareness on water conservation, our Group promotes water saving practices in the workplace. We encourage employees to reduce water use by placing reminder signs in the pantry as well as toilets. We also advocate reuse of water for non-edible purposes, for example, watering plants with the same water used for washing produce, collecting used water for floor cleaning, etc. These endeavours have achieved satisfactory results in water conservation. Meanwhile, the same set of measures applies to our U.S. operations which meet the requirement of the Plumbing and NYC Water Conservation Code.

Regarding our investment properties operations, water conservation is addressed with low flow fixtures in the restrooms and the breakrooms. Irrigation, where installed is controlled by smart meters with flow meters to detect abnormal flow rates. They will shut down the system and notify the team of potential breaks in the line. Some of our investment properties have also installed drought tolerant and native plants in the landscaping areas. As for our property development projects in the U.S., since we have no direct control over the consumption of water used for construction by the contractors, relevant data are not in the scope of this Report.

# Environmental, Social and Governance Report

## **Environmental Impact**

As an ongoing commitment to good corporate citizenship, we recognise the responsibility in minimizing the negative environmental impact of our business operations and our investment portfolio, in order to achieve a sustainable development for generating long-term values to our stakeholders and community as a whole.

We regularly assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks. For our U.S. operations, we have also required our contractors and subcontractors to implement the following policies in managing the impacts to the environment for the following factors:

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

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

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

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

We also strive to reduce environmental impact through our investment properties operations. For instance, all janitorial paper products provided in our investment properties are FSC (Forest Stewardship Council) certified, all cleaning products are Green Seal Certified Products, Bin liners used are Eco Smart, and break down in nature.

## **Climate Change**

We recognise that climate change poses risks to our business operations, especially for our property development projects and investment properties in the U.S.. Specific risks include potential flooding events, storm/high wind events and potential loss of electrical power. For instance, during the Reporting Period, our construction site at New York was also affected by the two hurricanes Henri and Ida.

# Environmental, Social and Governance Report

Each of these events has the potential for property damage, and injury to construction workers or the public. Measures to mitigate these risks are implemented in different phases of project development including building design, construction work planning and during construction to protect the properties and construction workers. For instance, to mitigate the potential impact of flooding, all new construction projects are designed to be above the flood plane; in response to potential storms/high wind events, façade engineers are hired to document project requirements for the façade of the building including wind loads and pressures.

## ***Anti-Corruption, Fraud and Money Laundering***

We aim to maintain the highest standards of openness, uprightness and accountability, and such high standards of ethical, personal and professional conduct are reflected upon all our employees. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. These are strictly enforced in our employee handbook, and in full compliance with the Prevention of Bribery Ordinance (Cap. 201) enforced by the Hong Kong Independent Commission Against Corruption in Hong Kong, and with the Foreign Corrupt Practices Act in the U.S.. Established control, such as a whistle-blowing mechanism, is in place as a private and confidential communication channel for external and internal parties to report suspicious fraudulent actions to the our management directly. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

During the Reporting Period, an anti-corruption training was provided to the Board to enhance their awareness and understanding on anti-money laundering.

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

## ***Community Investment***

As a responsible corporate citizen, we promote social contributions to the local communities in which we operate. We pride ourselves as industry players that contribute positively to the local community. We place great emphasis on cultivating social responsibility awareness among our staff and encouraging them to better serve our community at work and during their personal time. We will continuously support our employees to organize and participate in charitable activities that align with our core values.

In addition, we fully supports our employees in fulfilling civic responsibilities and social obligations through serving jury duty and witness duty when required. Employees are also encouraged to participate in voting and polling in expressing their political interests and views. Further, we have been involved in cultural preservation. During the demolition stage of our property development project in the U.S., the Owner's Agent had engaged with preservation contractors in the preservation of a piece of historic artwork that was originally part of the area slated for demolition. The preserved art piece was later transferred for permanent preservation. We will continue to identify positive ways to engage the community. As a convention, we participate in the annual community service day every year. However, due to the outbreak of COVID-19, we have placed the event on hold for this year.

# Environmental, Social and Governance Report

## Content Index for HKEX ESG Reporting Guide

| General Disclosures and KPIs                     | Reference (Page Number)               | Remarks   |
|--|---------------------------------------|---|
| <b>Environmental</b>                             |                                       |   |
| Aspect A1: Emissions                             |                                       |   |
| General Disclosure                               | Responsible Corporate Citizen (48-55) |   |
| KPI A1.1   | Responsible Corporate Citizen (48-55) |   |
| KPI A1.2   | Responsible Corporate Citizen (48-55) |   |
| KPI A1.3   | Responsible Corporate Citizen (48-55) |   |
| KPI A1.4   | Responsible Corporate Citizen (48-55) |   |
| KPI A1.5   | Responsible Corporate Citizen (48-55) |   |
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| Aspect A2: Use of Resources                      |                                       |   |
| General Disclosure                               | Responsible Corporate Citizen (48-55) |   |
| KPI A2.1   | Responsible Corporate Citizen (48-55) |   |
| KPI A2.2   | Responsible Corporate Citizen (48-55) |   |
| KPI A2.3   | Responsible Corporate Citizen (48-55) |   |
| KPI A2.4   | Responsible Corporate Citizen (48-55) |   |
| KPI A2.5   | N/A                                   | Packaging material used is an immaterial issue to the Group |
| Aspect A3: The Environment and Natural Resources |                                       |   |
| General Disclosure                               | Responsible Corporate Citizen (48-55) |   |
| KPI A3.1   | Responsible Corporate Citizen (48-55) |   |
| Aspect A4: Climate Change                        |                                       |   |
| General Disclosure                               | Responsible Corporate Citizen (48-55) |   |
| KPI A4.1   | Responsible Corporate Citizen (48-55) |   |
| <b>Social</b>                                    |                                       |   |
| Aspect B1: Employment                            |                                       |   |
| General Disclosure                               | Responsible Employer (38-45)          |   |
| KPI B1.1   | Responsible Employer (38-45)          |   |
| KPI B1.2   | Responsible Employer (38-45)          |   |
| Aspect B2: Health and Safety                     |                                       |   |
| General Disclosure                               | Responsible Employer (38-45)          |   |
| KPI B2.1   | N/A                                   | No such case concluded or noted during Reporting Period     |
| KPI B2.2   | Responsible Employer (38-45)          |   |
| KPI B2.3   | Responsible Employer (38-45)          |   |

# Environmental, Social and Governance Report

| General Disclosures and KPIs        | Reference (Page Number)               | Remarks   |
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| <b>Social</b>                       |                                       |   |
| Aspect B3: Development and Training |                                       |   |
| General Disclosure                  | Responsible Employer (38-45)          |   |
| KPI B3.1                            | Responsible Employer (38-45)          |   |
| KPI B3.2                            | Responsible Employer (38-45)          |   |
| Aspect B4: Labour Standards         |                                       |   |
| General Disclosure                  | Responsible Employer (38-45)          |   |
| KPI B4.1                            | Responsible Employer (38-45)          |   |
| KPI B4.2                            | Responsible Employer (38-45)          |   |
| Aspect B5: Supply Chain Management  |                                       |   |
| General Disclosure                  | Responsible Service Supplier (45-48)  |   |
| KPI B5.1                            | Responsible Service Supplier (45-48)  |   |
| KPI B5.2                            | Responsible Service Supplier (45-48)  |   |
| KPI B5.3                            | Responsible Service Supplier (45-48)  |   |
| KPI B5.4                            | Responsible Service Supplier (45-48)  |   |
| Aspect B6: Product Responsibility   |                                       |   |
| General Disclosure                  | Responsible Service Supplier (45-48)  |   |
| KPI B6.1                            | N/A                                   | Not applicable  |
| KPI B6.2                            | Responsible Service Supplier (45-48)  |   |
| KPI B6.3                            | Responsible Service Supplier (45-48)  |   |
| KPI B6.4                            | Responsible Service Supplier (45-48)  |   |
| KPI B6.5                            | Responsible Service Supplier (45-48)  |   |
| Aspect B7: Anti-corruption          |                                       |   |
| General Disclosure                  | Responsible Corporate Citizen (48-55) |   |
| KPI B7.1                            | Responsible Corporate Citizen (48-55) | No such case concluded or noted during Reporting Period |
| KPI B7.2                            | Responsible Corporate Citizen (48-55) |   |
| KPI B7.3                            | Responsible Corporate Citizen (48-55) |   |
| Aspect B8: Community Investment     |                                       |   |
| General Disclosure                  | Responsible Corporate Citizen (48-55) |   |
| KPI B8.1                            | Responsible Corporate Citizen (48-55) |   |
| KPI B8.2                            | Responsible Corporate Citizen (48-55) |   |

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

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

For the year ended 31 December 2021 (the “**Year**”), the Company has complied with the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as and when they were/are in force, except for Code Provisions A.2.7 and E.1.2. For the avoidance of doubt, unless otherwise specified, the “Code Provisions” and “CG Code” referred to in this Corporate Governance Report are those provisions or codes prevailing prior to the amendments thereto as introduced by the Stock Exchange under Update No.135 for amendments to the Listing Rules, where such new amendments to Appendix 14 will only apply to issuers’ corporate governance reports for financial year commencing on or after 1 January 2022.

Code Provision A.2.7 requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without other Directors present. Although the Chairman did not hold a meeting with the independent non-executive Directors without the presence of other Directors during the Year, the Chairman delegated the chief executive officer of the Company (the “**Chief Executive Officer**”) to gather any concerns and/or questions that the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

The Chairman should attend the annual general meeting of the Company under Code Provision E.1.2. Due to other pre-arranged business commitments which had to be attended, Mr. SUM Pui Ying (being the Chairman of the Board) was unable to attend the annual general meeting of the Company held on 7 May 2021.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Board composition

As at 31 December 2021, the Board consisted of a total of eight members, including three executive Directors whereas one of whom was the Chairman, two non-executive Directors, and three independent non-executive Directors.

During the Year, a total of four regular board meetings and one annual general meeting (the “**AGM**” which was held on 7 May 2021) of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

|  | Number of meetings attended/held |     |
|--|----------------------------------|-----|
|  | Board Meetings                   | AGM |
| <b>Directors</b>   |                                  |     |
| Mr. SUM Pui Ying (ED) (Chairman)                             | 4/4                              | 0/1 |
| Mr. LAI Kwok Hung, Alex (ED) (Chief Executive Officer)       | 4/4                              | 1/1 |
| Ms. LAM Yee Lan (ED)   | 4/4                              | 1/1 |
| Mr. TANG Runjiang (NED)                                      | 4/4                              | 1/1 |
| Mr. ZHOU Yue (NED)   | 4/4                              | 1/1 |
| Mr. LAW Tze Lun (INED) (resigned on 13 October 2021)         | 3/3                              | 1/1 |
| Mr. LO Woon Bor, Henry (INED)                                | 4/4                              | 1/1 |
| Ms. CHEN Yingshun (INED)                                     | 4/4                              | 1/1 |
| Mr. LEE Sai Kai, David (INED) (appointed on 13 October 2021) | 1/1                              | N/A |

Notes:

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

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

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

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

# Corporate Governance Report

## Roles and responsibilities

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

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

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

## Division of responsibilities between the Board and management

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

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

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

# Corporate Governance Report

## Training

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

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

| <b>Directors</b>   | <b>Type of trainings<sup>(note 1)</sup></b> |
|--|---|
| Mr. SUM Pui Ying (ED) (Chairman)                             | a, b  |
| Mr. LAI Kwok Hung, Alex (ED) (Chief Executive Officer)       | a, b  |
| Ms. LAM Yee Lan (ED)   | a, b  |
| Mr. TANG Runjiang (NED)                                      | a, b  |
| Mr. ZHOU Yue (NED)   | a, b  |
| Mr. LAW Tze Lun (INED) (resigned on 13 October 2021)         | a, b  |
| Mr. LO Woon Bor, Henry (INED)                                | a, b  |
| Ms. CHEN Yingshun (INED)                                     | a, b  |
| Mr. LEE Sai Kai, David (INED) (appointed on 13 October 2021) | a, b  |

Note 1:

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

## Directors' and officers' liability insurance and indemnity

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

## Independent advice

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

# Corporate Governance Report

## Independence of Non-Executive Directors

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

## Relationships and associations among the Directors

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

## Chairman and Chief Executive Officer

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

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

## Appointment, re-election and removal

The current service agreement of Mr. SUM Pui Ying as an executive Director has a term of 1 year commencing from 9 August 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service agreement, the remuneration of Mr. SUM is HK\$180,000 per annum.

The current service agreement of Mr. LAI Kwok Hung, Alex as an executive Director has a term of 1 year commencing from 9 August 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service agreement, the remuneration of Mr. LAI is HK\$180,000 per annum.

## Corporate Governance Report

The current service agreement of Ms. LAM Yee Lan as an executive Director has a term of 1 year commencing from 15 June 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service agreement, the remuneration of Ms. LAM is HK\$180,000 per annum.

The current service agreement of Mr. TANG Runjiang as a non-executive Director has a term of 1 year commencing from 1 March 2022, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service agreement, the remuneration of Mr. TANG is HK\$180,000 per annum.

The current service agreement of Mr. ZHOU Yue as a non-executive Director has a term of 1 year commencing from 10 December 2021, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service agreement, the remuneration of Mr. ZHOU is HK\$180,000 per annum.

Mr. LO Woon Bor, Henry as an independent non-executive Director renewed his appointment letter with the Company for a term of 1 year commencing from 2 January 2022, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letter, the remuneration of Mr. LO is HK\$180,000 per annum.

Ms. CHEN Yingshun as an independent non-executive Director renewed her appointment letter with the Company for a term of 1 year commencing from 21 April 2021, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letter, the remuneration of Ms. CHEN is HK\$180,000 per annum.

Mr. LEE Sai Kai, David as an independent non-executive Director entered into his appointment letter with the Company for a term of 1 year commencing from 13 October 2021, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letter, the remuneration of Mr. LEE is HK\$180,000 per annum.

All Directors are subject to retirement by rotation and re-election at the AGM at least once every three years pursuant to the Articles of Association of the Company (the "Articles"). Pursuant to Article 116 of the Articles, Mr. SUM Pui Ying, Mr. TANG Runjiang and Mr. LO Woon Bor, Henry will retire from office of the Board by rotation at the forthcoming AGM and offer themselves for re-election.

# Corporate Governance Report

## BOARD COMMITTEES

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

| <b>Board Committee</b>        | <b>Audit Committee</b> | <b>Remuneration Committee</b> | <b>Nomination Committee</b> | <b>Investment Committee</b> |
|-------------------------------|------------------------|-------------------------------|-----------------------------|-----------------------------|
| <b>Directors</b>              |                        |                               |                             |                             |
| Mr. SUM Pui Ying (ED)         | –                      | –                             | C                           | C                           |
| Mr. LAI Kwok Hung, Alex (ED)  | –                      | –                             | –                           | M                           |
| Mr. TANG Runjiang (NED)       | M                      | –                             | –                           | M                           |
| Mr. ZHOU Yue (NED)            | M                      | –                             | –                           | M                           |
| Mr. LO Woon Bor, Henry (INED) | M                      | M                             | M                           | –                           |
| Ms. CHEN Yingshun (INED)      | M                      | M                             | M                           | –                           |
| Mr. LEE Sai Kai, David (INED) | C                      | C                             | M                           | M                           |

Notes:

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

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

# Corporate Governance Report

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

| Board Committee  | Number of meetings attended/held |                        |                      |                      |
|--|----------------------------------|------------------------|----------------------|----------------------|
|  | Audit Committee                  | Remuneration Committee | Nomination Committee | Investment Committee |
| <b>Directors</b>   |                                  |                        |                      |                      |
| Mr. SUM Pui Ying (ED)  | –                                | –                      | 1/1                  | 1/1                  |
| Mr. LAI Kwok Hung, Alex (ED)   | –                                | –                      | –                    | 1/1                  |
| Mr. TANG Runjiang (NED)  | 3/3                              | –                      | –                    | 1/1                  |
| Mr. ZHOU Yue (NED)   | 3/3                              | –                      | –                    | 1/1                  |
| Mr. LAW Tze Lun (INED) (resigned as chairman of Audit Committee and Remuneration Committee and member of Nomination Committee and Investment Committee on 13 October 2021)         | 2/2                              | 1/1                    | 1/1                  | 1/1                  |
| Mr. LO Woon Bor, Henry (INED)  | 3/3                              | 1/1                    | 1/1                  | –                    |
| Ms. CHEN Yingshun (INED)   | 3/3                              | 0/1                    | 0/1                  | –                    |
| Mr. LEE Sai Kai, David (INED) (appointed as chairman of Audit Committee and Remuneration Committee and member of Nomination Committee and Investment Committee on 13 October 2021) | 1/1                              | N/A                    | N/A                  | N/A                  |

## Nomination Committee

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

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in the director nomination policy of the Company, which include but not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the board diversity policy of the Company etc.. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the Articles and the Listing Rules.

# Corporate Governance Report

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

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

- (a) reviewing and evaluating the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;
- (b) reviewing and recommending the re-appointment of the retiring Directors at the annual general meeting of the Company held on 7 May 2021;
- (c) assessing independence of the independent non-executive Directors;
- (d) reviewing and recommending the appointment of Mr. LEE Sai Kai, David as an independent non-executive Director and his terms of appointment; and
- (e) reviewing and recommending the renewal of (i) the director's service agreements of Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex, Ms. LAM Yee Lan, Mr. TANG Runjiang and Mr. ZHOU Yue; and (ii) the appointment letters of Mr. LAW Tze Lun (resigned on 13 October 2021), Mr. LO Woon Bor, Henry and Ms. CHEN Yingshun.

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

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

# Corporate Governance Report

## Remuneration Committee

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

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

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

- (a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior officers of the Group to the Board;
- (b) assessing individual performance of the Directors and senior officers of the Group;
- (c) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board’s corporate goals and objectives as well as individual performances;
- (d) reviewing and making recommendations to the Board on compensation-related issues;
- (e) reviewing and recommending the renewal of (i) the director’s service agreements of Mr. SUM Pui Ying, Mr. LAI Kwok Hung, Alex, Ms. LAM Yee Lan, Mr. TANG Runjiang and Mr. ZHOU Yue; and (ii) the appointment letters of Mr. LAW Tze Lun (resigned on 13 October 2021), Mr. LO Woon Bor, Henry and Ms. CHEN Yingshun; and
- (f) reviewing and recommending the terms of appointment of Mr. LEE Sai Kai, David as an independent non-executive Director.

# Corporate Governance Report

## Principles of remuneration policy

The principles of the Group's remuneration policy:

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

## Remuneration structure

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

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

# Corporate Governance Report

## Audit Committee

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

In order to perform its duties, the Audit Committee is provided with sufficient resources and is empowered to examine all matters relating to the Group’s adopted accounting principles and practices and to review all material financial, operational and compliance controls. Latest terms of reference of the Audit Committee can be viewed on the website of the Company at [www.geminiinvestments.com.hk](http://www.geminiinvestments.com.hk) and the website of the Stock Exchange.

The major roles of the Audit Committee include the following:

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

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

- The Audit Committee assisted the Board in assuring the integrity of the Company’s financial statements. It evaluated and made recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgment, compliance with Hong Kong Financial Reporting Standards and other legal requirements, and the results of external audit. It reviewed interim and annual financial statements of the Company, reported its work and findings to the Board and made recommendations on specific actions or decision for the Board to consider after each Audit Committee’s meeting. Minutes of the Audit Committee’s meetings were kept by the Company Secretary and made available to all Directors.
- The Audit Committee also managed the relationship with the external auditors on behalf of the Board. It made recommendation to the Board on the appointment of the external auditors and the relevant terms of engagement, including remuneration. The Audit Committee was required to review the integrity, independence and objectivity of the external auditors. Also, it examined the external auditors’ independence including its engagement of non-audit services. Based on the review of the Audit Committee, the Board was satisfied that the external auditors were independent. The external auditors had also expressed an opinion on their reporting responsibilities in the “Independent Auditor’s Report” set out on pages 77 to 82 of this annual report.

# Corporate Governance Report

- The Audit Committee was required to ensure that the risk management and internal control systems of the Group were in place for identifying and managing risks. The Audit Committee had reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function for the Year. The process used in such review includes discussions with management on risk areas identified by management and principal divisions of the Group, and review of findings and/or reports arising from internal and external audits. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate for the year ended 31 December 2021. The management's confirmation was endorsed by the Audit Committee and submitted to the Board.
- The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions.

## BOARD DIVERSITY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**"). The Company is committed to achieving diversity and recognizes and embraces the benefits of having a diverse Board to bring in innovation, fresh and broad business perspectives and enhance the decision-making process of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and industry and regional experience of the candidates. Appointments to the Board should ultimately be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, investment management, banking, legal, accounting and financial management, and corporate governance. They obtained degrees and prior work experience in various areas including business administration, banking, investments, law, as well as accounting and financial management. The Board has three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Furthermore, members of the Board have ages ranging from 37 to 60 years old. Taking into account the existing business model and specific needs of the Company as well as the different backgrounds of our Directors, the composition of our Board incorporates the appropriate balance of skills, experience and diversity of perspective, aligned with the Company's businesses, strategy and objectives.

# Corporate Governance Report

The Company also sees increasing gender diversity at the board level as an essential element in enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Whilst the Company currently has two female Directors, the Board will take opportunities to promote gender diversity and increase the proportion of female members over time as and when suitable candidates are identified. The Company will endeavour to ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board in due time to promote or ensure gender diversity of the Board.

## CORPORATE GOVERNANCE FUNCTIONS

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

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

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

- review of the compliance with the CG Code;
- review of the effectiveness of the risk management and internal control systems of the Group through the Audit Committee; and
- review of the Environmental, Social and Governance performance and reporting mechanism of the Group.

# Corporate Governance Report

## DIVIDEND POLICY

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Group engaged an independent professional adviser to assist the Board and the Audit Committee in formulating its risk management policy in providing directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management of the Group identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of internal control systems of the Group's operations (excluding operation in the U.S.) and in performing the internal audit functions for the Group. The internal audit functions for operations in the U.S. is assessed by the internal audit department of Gemini-Rosemont Realty LLC. Any deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

# Corporate Governance Report

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

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

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

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

## SHAREHOLDERS' RIGHTS

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

### Convening a general meeting on requisition by shareholders of the Company

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

# Corporate Governance Report

The written request must:

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

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

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

## Procedures for directing shareholders' enquiries to the Board

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

## Moving a resolution at an AGM

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

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

The written request must:

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

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

# Corporate Governance Report

## Proposing Directors for election at general meetings

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

## CONSTITUTIONAL DOCUMENTS

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

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

The financial statements for the Year have been prepared by the Directors on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the external auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "Independent Auditor's Report" on pages 77 to 82 in this annual report.

### Auditors' Remuneration

The Board, based on the recommendation of the Audit Committee, approved the appointment of BDO Limited ("**BDO**") as the Group's external auditor to perform audit services for the Group for the Year. During the Year, total fees in respect of statutory audit, other audit and non-audit services to BDO amounted to HK\$9,918,000, of which HK\$3,239,000, or 32.66%, was fee for non-audit services.

During the Year, non-audit services fees payable to BDO include fees relating to advisory services and corporate exercise reporting services of HK\$2,139,000, and review of interim financial information of the Group for the six months ended 30 June 2021 of HK\$1,100,000.

Note: The total amount of auditors' remuneration as disclosed in note 11 to the consolidated financial statements of the Group is HK\$7,273,000 which also includes audit services provided by other auditors excluding BDO in the total amount of HK\$594,000, but does not include any fees in respect of non-audit services.



# Corporate Governance Report

## CODES FOR SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

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

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

# Independent Auditor's Report



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香港  
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永安中心25樓

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

## OPINION

We have audited the consolidated financial statements of Gemini Investments (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 83 to 194, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

### Investment properties

*(Refer to Note 17 to the consolidated financial statements)*

The Group's investment properties, which are located in Hong Kong and the United States of America (the "U.S."), mainly comprise office premises and residential properties (including carparking spaces).

The aggregate fair values of the Group's investment properties as at 31 December 2021 amounted to HK\$8,498,509,000, among which investment properties with fair value of HK\$7,187,470,000, representing 44.9% of the Group's total assets as at that date, were held or managed by Gemini-Rosemont Realty LLC ("GR Realty"), one of the Company's subsidiaries, in the U.S.

The fair value of investment properties held by GR Realty was estimated using income approach. The valuation of the investment properties are conducted by a dedicated valuation team reporting to the management. The appropriateness of the valuation is dependent on determination of certain key assumptions that require an exercise of management judgement including discount rate, terminal capitalisation rate and estimated rental value.

We identified valuation of the Group's investment properties as a key audit matter due to the size of the balance and determination of the fair values involves inherent judgement and estimation.

### **Our response:**

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

The procedures performed on the valuation of investment properties included:

- Understanding the facts and circumstances of the underlying investment properties valuations from GR Realty's internal valuation team;
- Assessing the methodologies used and the appropriateness of the key assumptions based on the component auditor's knowledge of the property industry and using the component auditor's in-house valuation experts; and
- Checking, on a sample basis, the accuracy and relevance of the input data used in the valuation.

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

### Fair value measurement of unlisted fund investments

*(Refer to Notes 21(c)(iv) & (v) and 45(h) to the consolidated financial statements)*

As at 31 December 2021, the Group held several unlisted fund investments with aggregate value of HK\$1,673,062,000, representing 10.4% of the Group's total assets as at 31 December 2021.

Management engages an independent qualified valuer to estimate the valuation of these unlisted fund investments. The appropriateness of the valuation is dependent on determination of different valuation techniques and certain key assumptions.

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

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

#### **Our response:**

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

- Evaluating the independent professional valuer's competence, capabilities and objectivity;
- Focusing on the valuation methodologies and assumptions of unlisted fund investments that were classified as level 3 in the fair value hierarchy and involving our valuation specialists in evaluating and assessing:
  - (i) the valuation techniques through comparison with the valuation techniques that are commonly used in the market;
  - (ii) the validation of observable inputs using external market data; and
  - (iii) the reasonableness of management's assumptions such as a discount or a premium for quality of properties held by the funds;
- Checking the accuracy and reasonableness of the input data provided by management to the independent professional valuer; and
- Reviewing sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in these key assumptions.

# Independent Auditor's Report

## OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

## DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# Independent Auditor's Report

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# Independent Auditor's Report

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

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

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

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

### **BDO Limited**

*Certified Public Accountants*

Lam Pik Wah

Practising Certificate Number P05325

Hong Kong, 11 March 2022

# Consolidated Income Statement

For the year ended 31 December 2021

|  | Notes | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|-------|------------------|------------------|
| Revenue  | 4, 5  | 1,227,106        | 603,856          |
| Operating expenses   | 6     | (493,701)        | (193,293)        |
|  |       | <b>733,405</b>   | 410,563          |
| Other income, gains/losses   | 7     | 63,434           | (26,734)         |
| Administrative and other expenses  | 8     | (202,889)        | (129,153)        |
| Changes in fair value of financial instruments held for trading                |       | 28,883           | 58,403           |
| Changes in fair value of financial assets at fair value through profit or loss |       | 45,430           | 3,419            |
| Changes in fair value of investment properties                                 | 17    | (150,799)        | (404,775)        |
| Provision for impairment loss on financial assets                              |       | (1,418)          | (5,636)          |
| Share of results of joint ventures   |       | –                | (98,993)         |
| Gain on effective settlement of loan receivables                               |       | –                | 60,787           |
|  |       | –                | (38,206)         |
| Share of results of associates   | 19    | 1,063            | (1,500)          |
| Finance costs  | 10    | (419,329)        | (191,122)        |
| Loss attributable to limited partners and puttable instrument holders          |       | 186,386          | 187,285          |
| <b>Profit/(loss) before income tax</b>   | 11    | <b>284,166</b>   | (137,456)        |
| Income tax   | 12    | (45,551)         | (95,780)         |
| <b>Profit/(loss) for the year</b>  |       | <b>238,615</b>   | (233,236)        |
| <b>Profit/(loss) for the year attributable to:</b>                             |       |                  |                  |
| Owners of the Company  |       | (8,111)          | (233,036)        |
| Non-controlling interests  | 40    | 246,726          | (200)            |
|  |       | <b>238,615</b>   | (233,236)        |
| <b>Loss per share for profit/(loss) attributable to owners of the Company</b>  | 15    |                  |                  |
| – Basic (HK dollars)   |       | (0.01)           | (0.41)           |
| – Diluted (HK dollars)   |       | (0.01)           | (0.41)           |

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

|   |      | 2021           | 2020      |
|---|------|----------------|-----------|
|   | Note | HK\$'000       | HK\$'000  |
| <b>Profit/(loss) for the year</b>                                   |      | <b>238,615</b> | (233,236) |
| <b>Other comprehensive income:</b>                                  |      |                |           |
| <i>Item that may be reclassified subsequently to profit or loss</i> |      |                |           |
| Exchange differences arising on translation of foreign operations   |      | <b>22,030</b>  | (4,533)   |
| <b>Other comprehensive income for the year</b>                      |      | <b>22,030</b>  | (4,533)   |
| <b>Total comprehensive income for the year</b>                      |      | <b>260,645</b> | (237,769) |
| <b>Total comprehensive income attributable to:</b>                  |      |                |           |
| Owners of the Company   |      | <b>13,919</b>  | (237,569) |
| Non-controlling interests   | 40   | <b>246,726</b> | (200)     |
|   |      | <b>260,645</b> | (237,769) |

# Consolidated Statement of Financial Position

As at 31 December 2021

|   | Notes | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|---|-------|-------------------|------------------|
| <b>Non-current assets</b>                             |       |                   |                  |
| Investment properties                                 | 17    | 8,498,509         | 11,363,561       |
| Property, plant and equipment                         | 18    | 40,901            | 75,176           |
| Investments in associates                             | 19    | 6,491             | 5,393            |
| Financial assets at fair value through profit or loss | 21    | 1,958,982         | 2,161,047        |
| Deposits, prepayments and other receivables           | 22    | 69,398            | 110,412          |
| Other financial assets                                | 30    | 536,572           | 420,191          |
| Restricted bank deposits                              | 25    | 1,769             | 1,328            |
| Deferred tax assets                                   | 35    | 90,671            | 128,429          |
|   |       | <b>11,203,293</b> | 14,265,537       |
| <b>Current assets</b>                                 |       |                   |                  |
| Properties under development                          | 23    | 1,861,601         | 1,563,839        |
| Deposits, prepayments and other receivables           | 22    | 498,173           | 69,290           |
| Financial instruments held for trading                | 24    | 324,597           | 545,854          |
| Tax recoverables                                      |       | 39,912            | 39,807           |
| Restricted bank deposits                              | 25    | 161,834           | 309,005          |
| Cash and bank balances                                | 26    | 824,947           | 1,162,189        |
|   |       | <b>3,711,064</b>  | 3,689,984        |
| Assets classified as held for sale                    | 20    | 1,108,310         | –                |
|   |       | <b>4,819,374</b>  | 3,689,984        |
| <b>Total assets</b>                                   |       | <b>16,022,667</b> | 17,955,521       |
| <b>Current liabilities</b>                            |       |                   |                  |
| Other payables and accrued charges                    | 27    | 750,192           | 717,832          |
| Financial instruments held for trading                | 24    | –                 | 5,465            |
| Amounts due to shareholders                           | 28    | 429,543           | 488,763          |
| Tax payables  |       | 2,547             | 1,903            |
| Borrowings  | 29    | 1,864,426         | 2,271,354        |
| Other financial liabilities                           | 30    | 139,009           | 150,345          |
|   |       | <b>3,185,717</b>  | 3,635,662        |
| <b>Net current assets</b>                             |       | <b>1,633,657</b>  | 54,322           |
| <b>Total assets less current liabilities</b>          |       | <b>12,836,950</b> | 14,319,859       |

# Consolidated Statement of Financial Position

As at 31 December 2021

|   | Notes | 2021<br>HK\$'000  | 2020<br>HK\$'000 |
|---|-------|-------------------|------------------|
| <b>Capital and reserves</b>                     |       |                   |                  |
| Share capital                                   | 31    | 371,191           | 371,191          |
| Reserves  | 32    | 5,034,825         | 5,021,132        |
| Equity attributable to owners of the Company    |       | 5,406,016         | 5,392,323        |
| Non-controlling interests                       | 40    | 1,901,402         | 1,794,362        |
| <b>Total equity</b>                             |       | <b>7,307,418</b>  | 7,186,685        |
| <b>Non-current Liabilities</b>                  |       |                   |                  |
| Other payables and accrued charges              | 27    | 25,065            | 31,219           |
| Amounts due to shareholders                     | 28    | 896,770           | 891,538          |
| Borrowings                                      | 29    | 4,291,163         | 5,783,203        |
| Other financial liabilities                     | 30    | 268,758           | 375,663          |
| Deferred tax liabilities                        | 35    | 47,776            | 51,551           |
|   |       | 5,529,532         | 7,133,174        |
| <b>Total equity and non-current liabilities</b> |       | <b>12,836,950</b> | 14,319,859       |

The financial statement on pages 83 to 194 were approved and authorised for issue by the Board of Directors on 11 March 2022 and are signed on its behalf by

**Sum Pui Ying**  
Director

**Lai Kwok Hung, Alex**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

|   | Share capital<br>(Note 31) | Convertible preference shares reserve<br>(Note 33) | Perpetual bond<br>(Note 34) | Capital contribution reserve | Revaluation surplus reserve | Translation reserve | Retained profits | Attributable to owners of the Company | Non-controlling interests | Total equity |
|---|----------------------------|--|-----------------------------|------------------------------|-----------------------------|---------------------|------------------|---------------------------------------|---------------------------|--------------|
|   | HK\$'000                   | HK\$'000   | HK\$'000                    | HK\$'000                     | HK\$'000                    | HK\$'000            | HK\$'000         | HK\$'000                              | HK\$'000                  | HK\$'000     |
| Balance at 1 January 2021   | 371,191                    | 2,260,565  | 2,259,504                   | 308,190                      | 20,256                      | 7,394               | 165,223          | 5,392,323                             | 1,794,362                 | 7,186,685    |
| Other comprehensive income  |                            |  |                             |                              |                             |                     |                  |                                       |                           |              |
| – Exchange differences arising on translation of foreign operations | -                          | -  | -                           | -                            | -                           | 22,030              | -                | 22,030                                | -                         | 22,030       |
| Profit for the year   | -                          | -  | -                           | -                            | -                           | -                   | (8,111)          | (8,111)                               | 246,726                   | 238,615      |
| Total comprehensive income for the year                             | -                          | -  | -                           | -                            | -                           | 22,030              | (8,111)          | 13,919                                | 246,726                   | 260,645      |
| Distribution paid to the holder of perpetual bond                   | -                          | -  | -                           | -                            | -                           | -                   | (226)            | (226)                                 | -                         | (226)        |
| Distribution paid to non-controlling interests                      | -                          | -  | -                           | -                            | -                           | -                   | -                | -                                     | (139,686)                 | (139,686)    |
| Balance at 31 December 2021   | 371,191                    | 2,260,565  | 2,259,504                   | 308,190                      | 20,256                      | 29,424              | 156,886          | 5,406,016                             | 1,901,402                 | 7,307,418    |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

|   | Convertible preference shares |                                     | Perpetual bond (Note 34) | Capital contribution reserve | Capital reduction reserve | Share option reserve | Revaluation surplus reserve | Translation reserve | Retained profits | Attributable to owners of the Company |           | Non-controlling interests | Total equity |
|---|-------------------------------|-------------------------------------|--------------------------|------------------------------|---------------------------|----------------------|-----------------------------|---------------------|------------------|---------------------------------------|-----------|---------------------------|--------------|
|   | Share capital (Note 31)       | Preference shares reserve (Note 33) |                          |                              |                           |                      |                             |                     |                  | HK\$'000                              | HK\$'000  |                           |              |
| Balance at 1 January 2020   | 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                 |              |
| Other comprehensive income  | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | (4,533)             | -                | (4,533)                               | -         | (4,533)                   |              |
| - Exchange differences arising on translation of foreign operations | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | -                   | (233,036)        | (233,036)                             | (200)     | (233,236)                 |              |
| Loss for the year   | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | -                   | (233,036)        | (233,036)                             | (200)     | (233,236)                 |              |
| Total comprehensive income for the year                             | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | (4,533)             | (233,036)        | (237,569)                             | (200)     | (237,769)                 |              |
| Distribution paid to the holder of perpetual bond                   | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | -                   | (226)            | (226)                                 | -         | (226)                     |              |
| Distribution paid to non-controlling interests                      | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | -                   | -                | -                                     | (39,003)  | (39,003)                  |              |
| Share allotment (Note 31)   | 180,556                       | -                                   | -                        | -                            | -                         | -                    | -                           | -                   | -                | 180,556                               | -         | 180,556                   |              |
| Capital reduction (Note 33)   | -                             | (94,968)                            | -                        | -                            | 94,968                    | -                    | -                           | -                   | -                | -                                     | -         | -                         |              |
| Transfer arising from capital reduction (Note 33)                   | -                             | -                                   | -                        | -                            | (94,968)                  | -                    | -                           | -                   | 94,968           | -                                     | -         | -                         |              |
| Consolidation of Gemini-Rosemont Realty LLC                         | -                             | -                                   | -                        | -                            | -                         | -                    | -                           | -                   | -                | -                                     | 1,532,801 | 1,532,801                 |              |
| Exercise of share option  | 5,182                         | -                                   | -                        | -                            | -                         | (1,703)              | -                           | -                   | -                | 3,479                                 | -         | 3,479                     |              |
| Vested share options forfeited/cancelled                            | -                             | -                                   | -                        | -                            | -                         | (20,633)             | -                           | -                   | 20,633           | -                                     | -         | -                         |              |
| Balance at 31 December 2020   | 371,191                       | 2,260,565                           | 2,259,504                | 308,190                      | -                         | -                    | 20,256                      | 7,394               | 165,223          | 5,392,323                             | 1,794,362 | 7,186,685                 |              |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

|   | Notes | 2021<br>HK\$'000   | 2020<br>HK\$'000 |
|---|-------|--------------------|------------------|
| <b>Cash flows from operating activities</b>                       |       |                    |                  |
| Net cash generated from/(used in) operations                      | 38(a) | 397,283            | (84,744)         |
| Income tax paid   |       | (11,029)           | (1,239)          |
| <b>Net cash generated from/(used in) operating activities</b>     |       | <b>386,254</b>     | <b>(85,983)</b>  |
| <b>Cash flows from investing activities</b>                       |       |                    |                  |
| Purchase of property, plant and equipment                         |       | (1,787)            | (2,415)          |
| Capital expenditure for investment properties                     |       | (122,755)          | (88,312)         |
| Proceed from disposal of investment properties                    |       | 703,915            | –                |
| Proceed from disposal of property, plant and equipment            |       | 36,755             | –                |
| Consolidation of Gemini-Rosemont Realty LLC                       |       | –                  | 585,668          |
| Disposal of a subsidiary  |       | –                  | (1,459)          |
| Interest received   |       | 7,966              | 19,233           |
| <b>Net cash generated from investing activities</b>               |       | <b>624,094</b>     | <b>512,715</b>   |
| <b>Cash flows from financing activities</b>                       |       |                    |                  |
| New bank borrowings   | 38(b) | 490,068            | 394,201          |
| Repayment of bank borrowings                                      | 38(b) | (1,320,222)        | (562,084)        |
| Distribution paid to limited partner interests                    | 38(b) | (48,056)           | (3,135)          |
| Repayment of lease liabilities                                    | 38(b) | (16,787)           | (11,423)         |
| Interest paid   | 38(b) | (258,169)          | (200,582)        |
| Decrease in amounts due to shareholders                           | 38(b) | (58,078)           | –                |
| Distribution paid to non-controlling interests                    |       | (139,686)          | (39,003)         |
| Distribution paid to the holder perpetual bond                    |       | (226)              | (226)            |
| Proceed from issue of share arising from exercise of share option | 31    | –                  | 3,479            |
| Proceeds from issue of shares                                     | 31    | –                  | 180,556          |
| <b>Net cash used in financing activities</b>                      |       | <b>(1,351,156)</b> | <b>(238,217)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>       |       | <b>(340,808)</b>   | <b>188,515</b>   |
| <b>Cash and cash equivalents at beginning of the year</b>         |       | <b>1,162,189</b>   | <b>975,181</b>   |
| Effect of foreign exchange rate changes                           |       | 3,566              | (1,507)          |
| <b>Cash and cash equivalents at end of the year</b>               |       | <b>824,947</b>     | <b>1,162,189</b> |
| <b>Analysis of the balances of cash and cash equivalents:</b>     |       |                    |                  |
| Short-term bank deposits  | 26    | 230,079            | 220,622          |
| Cash and bank balances  | 26    | 594,868            | 941,567          |
|   |       | <b>824,947</b>     | <b>1,162,189</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL

Gemini Investments (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of its registered office and principal place of business of the Company are disclosed in the section of Corporate Information of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in Notes 43 and 19 respectively.

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

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

### (a) Adoption of new or revised HKFRSs – from 1 January 2021

|   |  |
|---|--|
| Amendments to HKFRS 16  | COVID-19 Related Rent Concessions        |
| Amendments to HKAS 39,<br>HKFRS 4, HKFRS 7,<br>HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

The following new or 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 <sup>1</sup>  |
| 2021 Amendments to HKFRS 16                         | COVID-19 Related Rent Concessions beyond 30 June 2021 <sup>2</sup>  |
| Amendments to HKAS 16                               | Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>  |
| Amendments to HKAS 37                               | Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>  |
| Annual Improvements to HKFRSs 2018–2020 Cycle       | Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases <sup>3</sup>                  |
| Amendments to HKFRS 3                               | Reference to the Conceptual Framework <sup>4</sup>  |
| Amendments to HKAS 1                                | Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements <sup>5</sup> |
| HKFRS 17  | Insurance Contracts <sup>5</sup>  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies <sup>5</sup>  |
| Amendments to HKAS 8                                | Definition of Accounting Estimates <sup>5</sup>   |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>   |

<sup>1</sup> No mandatory effective date yet determined but available for adoption.

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Group anticipate that the application of these amendments may have an impact on the Group’s consolidated financial statements in future periods should such transaction arise.

#### ***2021 Amendments to HKFRS 16 – COVID-19 Related Concessions beyond 30 June 2021***

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

#### ***Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Group is currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### **Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Group is currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

#### **Annual Improvements to HKFRSs 2018–2020 Cycle – Amendments to HKFRS 1 – First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 – Financial Instruments and HKFRS 16 – Leases**

The annual improvements amends a number of standards, including:

- HKFRS 1 – First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9 – Financial Instruments, which clarify that the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16 – Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Group is currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### ***Amendments to HKFRS 3 – Reference to the Conceptual Framework***

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

#### ***Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) – Presentation of Financial Statements***

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### ***HKFRS 17 – Insurance Contracts***

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

The directors of the Group do not anticipate that the application of this standard in the future will have an impact on the Group’s consolidated financial statements.

#### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies***

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are not expected to have any significant impact on the Group’s consolidated financial statements.

#### ***Amendments to HKAS 8 – Definition of Accounting Estimates***

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Group do not anticipate that the application of these amendments in the future will have an impact on the Group’s consolidated financial statements.

#### ***Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. It is apply to transactions such as leases for the lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendments are not expected to have any significant impact on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The consolidated financial statements on pages 83 to 194 have been prepared in accordance with all applicable, HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the HKFRSs) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 46.

### (b) Business combination and basis of consolidation

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (b) Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (c) Subsidiaries

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement with the other vote holders of the investee.
- b. Rights arising from other contractual arrangements.
- c. The Group's voting rights and potential voting rights.

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

### (d) Revenue recognition

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

#### ***Services rendered to customers***

Revenue from service is recognised over time as those services are rendered or at the point of service completed.

#### ***Rental income***

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. The difference between recognised rental income and rental cash receipts is recorded as accrued rental income receivable in the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (d) Revenue recognition (Continued)

#### **Dividend income**

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

#### **Interest income**

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

### (e) Investment properties

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

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

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

### (f) Non-current assets held for sales

Non-current assets is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 which continued to be measured in accordance with the accounting policies as set out in respective sections.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (g) Inventories

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

#### ***Properties under development***

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

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

### (h) Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land) less their residue value over their estimated useful lives, using the straight-line method, as follows:

|                                   |  |
|-----------------------------------|--|
| Furniture, fixtures and equipment | 3 to 10 years  |
| Computer equipment                | 3 years  |
| Buildings                         | 23 to 40 years   |
| Leasehold improvements            | 3 to 5 years or over the lease term,<br>whichever is shorter |

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (i) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

### (j) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (j) Associates (Continued)

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

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

In the consolidated statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Group on the basis of dividends received and receivable during the year.

### (k) Joint arrangements

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

The Group classifies its interests in joint arrangements either as

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (k) Joint arrangements (Continued)

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

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

### (l) Financial instruments

#### (i) Financial assets

##### *Classification*

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

- Financial assets at fair value (either through other comprehensive income or through profit or loss); and
- Financial assets at amortised cost.

The classification is generally based on two criteria:

- the business model under which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (I) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### *Measurement*

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

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

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

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

##### Debt instruments

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

- Amortised cost

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (I) Financial instruments (Continued)

#### (i) Financial assets (Continued)

##### Measurement (Continued)

##### Debt instruments (Continued)

- Fair value through other comprehensive income

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

- Fair value through profit or loss

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

##### Equity instruments

- Fair value through profit or loss

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (I) Financial instruments (Continued)

#### (i) Financial assets (Continued)

*Measurement (Continued)*

Equity instruments (Continued)

- Fair value through other comprehensive income

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

#### (ii) Impairment loss of financial assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (I) Financial instruments (Continued)

#### (ii) Impairment loss of financial assets (Continued)

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

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

For rental receivables, the Group applies a simplified approach to measure the loss allowance at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period. For other debt financial assets, the Group measures the loss allowance either based on 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (I) Financial instruments (Continued)

#### (ii) Impairment loss of financial assets (Continued)

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

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

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

#### (iii) Financial liabilities

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

##### *Financial liabilities at amortised cost*

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

##### *Financial liabilities at fair value through profit or loss*

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- the financial liability forms part of a group of financial liabilities, which are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (I) Financial instruments (Continued)

#### (iii) Financial liabilities (Continued)

*Financial liabilities at fair value through profit or loss (Continued)*

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

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

#### (iv) Effective interest method

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

#### (v) Equity instruments

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

#### (vi) Derecognition

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (m) Other financial assets/liabilities

#### ***Limited Partner Interests***

Limited partner interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within assets/liabilities and equity in the consolidated statement of financial position. The limited partner interests associated with those limited partnerships that have a fixed term are recorded as long term assets/liabilities in the consolidated statement of financial position and the related income/(loss) allocated to the limited partner is recorded as loss or income relating to limited partner in the consolidated income statement. The limited partner interests associated with those limited partnerships that have a perpetual term are recorded as non-controlling interests within equity in the consolidated statement of financial position and the related income/(loss) allocated to non-controlling interests is presented as profit or loss attributable to non-controlling interests in the consolidated income statement.

The percentage of capital contribution is not necessarily representing the profit or loss sharing percentage applicable at each subsidiary. The profit or loss sharing based on a waterfall structure. A waterfall structure provides for the allocation of profit or loss and cash distributions on an other than pro rata basis providing for preferential returns. For those subsidiaries containing a waterfall structure, the distribution provisions vary and therefore the ownership percentages do not effectively represent the profit or loss sharing percentage or economic interest that the limited partners will receive from the subsidiaries.

Limited partner interests represent interests held by third parties in certain real estate limited partnerships that are consolidated for financial reporting purposes. Limited partner interests at 31 December 2021 and 2020 consist primarily of limited partnership interests in subsidiaries.

#### ***Interests of Class B members with put option***

Interests of Class B members with put option represent portion of shares of the Group, which contain an option to sell all or any portion of the units of shares to the Group, at the purchase price representing their fair value.

The ownership by a member of the relevant shares shall entitle such members to allocations of net income and net loss and other items of income, gain, loss or deduction, and distributions of cash and other property of the Group in proportion to their respective distribution percentage interests, after repayment of loans made by the members or their affiliates to the Group and relevant tax payment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (m) Other financial assets/liabilities (Continued)

#### *Interests of Class B members with put option (Continued)*

The put option is a contract to purchase the Group's own equity instruments and recorded as financial liability. On initial recognition, a gross financial liability is recognised at the present value of estimated exercise price. Subsequently, the changes arising from the fair value of the financial liability be recognised in consolidated income statement.

### (n) Share-based payment transactions

#### *Equity-settled share-based payment transactions*

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

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

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

### (o) Taxation

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (o) Taxation (Continued)

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

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

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

### (p) Leasing

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (p) Leasing (Continued)

#### **Right-of-use asset**

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

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

#### **Lease liability**

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (p) Leasing (Continued)

#### **Accounting as a lessor**

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

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

### (q) Borrowing costs

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

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

### (r) Segment reporting

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (s) Foreign currencies

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (t) Provision and contingent liabilities

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

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (u) Employee benefits

#### (i) Short term employee benefits

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

#### (ii) Defined contribution retirement plan

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

#### (iii) Termination benefits

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (v) Related parties

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION

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

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

- Property investment in the United States of America (the "**U.S.**")  
  
Rental income and ancillary service income from leasing of office property and residential condominium which are managed by Gemini-Rosemont Realty LLC ("**GR Realty**").
- Property development in the U.S.  
  
Income from sale of quality commercial and residential properties in the U.S. which are managed by GR Realty.
- Property investment in Hong Kong  
  
Rental income from leasing of office and residential properties in Hong Kong.
- Fund investments  
  
Investing in various investment funds and generating investment income.
- Securities and other investments  
  
Investing in various securities and generating investment income.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION (*Continued*)

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

**For the year ended 31 December 2021**

|   | Managed by GR Realty            |                                  |                                  |                  |                                  | Elimination | Consolidated |
|---|---------------------------------|----------------------------------|----------------------------------|------------------|----------------------------------|-------------|--------------|
|   | Property investment in the U.S. | Property development in the U.S. | Property investment in Hong Kong | Fund Investments | Securities and other investments |             |              |
|   | HK\$'000                        | HK\$'000                         | HK\$'000                         | HK\$'000         | HK\$'000                         | HK\$'000    | HK\$'000     |
| Segment revenue                                       | 1,211,908                       | -                                | 9,709                            | -                | 5,489                            | -           | 1,227,106    |
| Less: Inter-segment sales                             | -                               | -                                | -                                | -                | 3,976                            | (3,976)     | -            |
| Revenue as presented in consolidated income statement | 1,211,908                       | -                                | 9,709                            | -                | 9,465                            | (3,976)     | 1,227,106    |
| Segment results                                       | 820,708                         | (1,082)                          | (2,541)                          | 44,727           | 29,936                           |             | 891,748      |
| Interest income from bank deposits                    |                                 |                                  |                                  |                  |                                  |             | 5,833        |
| Depreciation  |                                 |                                  |                                  |                  |                                  |             | (15,875)     |
| Provision for impairment loss on financial assets     |                                 |                                  |                                  |                  |                                  |             | (1,418)      |
| Finance costs   |                                 |                                  |                                  |                  |                                  |             | (419,329)    |
| Unallocated corporate expenses                        |                                 |                                  |                                  |                  |                                  |             | (176,793)    |
| Profit before income tax                              |                                 |                                  |                                  |                  |                                  |             | 284,166      |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2020

|   | Managed by GR Realty            |                                  |                                  |                  |                                  | Elimination | Consolidated |
|---|---------------------------------|----------------------------------|----------------------------------|------------------|----------------------------------|-------------|--------------|
|   | Property investment in the U.S. | Property development in the U.S. | Property investment in Hong Kong | Fund Investments | Securities and other investments |             |              |
|   | HK\$'000                        | HK\$'000                         | HK\$'000                         | HK\$'000         | HK\$'000                         | HK\$'000    | HK\$'000     |
| Segment revenue                                       | 590,322                         | -                                | 10,646                           | -                | 2,888                            | -           | 603,856      |
| Less: Inter-segment sales                             | -                               | -                                | -                                | -                | 5,196                            | (5,196)     | -            |
| Revenue as presented in consolidated income statement | 590,322                         | -                                | 10,646                           | -                | 8,084                            | (5,196)     | 603,856      |
| Segment results                                       | 119,209                         | (4,906)                          | (1,104)                          | 3,066            | 64,531                           |             | 180,796      |
| Interest income from bank deposits                    |                                 |                                  |                                  |                  |                                  |             | 4,844        |
| Depreciation  |                                 |                                  |                                  |                  |                                  |             | (10,137)     |
| Provision for impairment loss on financial assets     |                                 |                                  |                                  |                  |                                  |             | (5,636)      |
| Corporate legal and professional fee                  |                                 |                                  |                                  |                  |                                  |             | (20,160)     |
| Finance costs   |                                 |                                  |                                  |                  |                                  |             | (191,122)    |
| Unallocated corporate expenses                        |                                 |                                  |                                  |                  |                                  |             | (96,041)     |
| Loss before income tax                                |                                 |                                  |                                  |                  |                                  |             | (137,456)    |

Segment result represents the profit or loss by each segment without allocation of interest income from bank deposits, depreciation, unallocated provision for impairment loss on financial assets, corporate legal and professional fee, unallocated corporate expenses (including central administration and staff costs and directors' remuneration) and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION (*Continued*)

### (a) Segment assets and liabilities

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

|                                       | 2021              | 2020       |
|---------------------------------------|-------------------|------------|
|                                       | HK\$'000          | HK\$'000   |
| <b>Assets</b>                         |                   |            |
| <b>Segment assets</b>                 |                   |            |
| – Property investment in the U.S.     | 10,908,546        | 12,493,122 |
| – Property development in the U.S.    | 1,929,641         | 1,660,888  |
| – Property investment in Hong Kong    | 440,063           | 450,560    |
| – Fund investments                    | 2,199,615         | 2,215,529  |
| – Securities and other investments    | 361,900           | 928,944    |
| <b>Unallocated assets</b>             | <b>182,902</b>    | 206,478    |
| <b>Consolidated total assets</b>      | <b>16,022,667</b> | 17,955,521 |
| <b>Liabilities</b>                    |                   |            |
| <b>Segment liabilities</b>            |                   |            |
| – Property investment in the U.S.     | 7,508,249         | 9,571,846  |
| – Property development in the U.S.    | 484,542           | 629,963    |
| – Property investment in Hong Kong    | 2,910             | 4,013      |
| – Fund investments                    | –                 | 268        |
| – Securities and other investments    | 5,403             | 4,186      |
| <b>Unallocated liabilities</b>        | <b>714,145</b>    | 558,560    |
| <b>Consolidated total liabilities</b> | <b>8,715,249</b>  | 10,768,836 |

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

Segment liabilities included all liabilities allocated to operating segments other than tax payables, deferred tax liabilities, unallocated amounts due to shareholders, unallocated lease liabilities and unallocated other payables and accrued charges.

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 Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION (Continued)

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

**For the year ended 31 December 2021**

*Other segment information*

|  | Managed by GR Realty            |                                  |                                  |                  |                                  | Total     |
|--|---------------------------------|----------------------------------|----------------------------------|------------------|----------------------------------|-----------|
|  | Property investment in the U.S. | Property development in the U.S. | Property investment in Hong Kong | Fund Investments | Securities and other investments |           |
|  | HK\$'000                        | HK\$'000                         | HK\$'000                         | HK\$'000         | HK\$'000                         | HK\$'000  |
| Amounts included in the measure of segment profit or loss or segment assets:   |                                 |                                  |                                  |                  |                                  |           |
| Changes in fair value of financial instruments held for trading                | -                               | -                                | -                                | -                | 28,883                           | 28,883    |
| Changes in fair value of financial assets at fair value through profit or loss | -                               | -                                | -                                | 44,719           | 711                              | 45,430    |
| Changes in fair value of investment properties                                 | (139,929)                       | -                                | (10,870)                         | -                | -                                | (150,799) |
| Gain on disposal of investment properties                                      | 36,175                          | -                                | -                                | -                | -                                | 36,175    |
| Loss attributable to limited partners and puttable instrument holders          | 186,386                         | -                                | -                                | -                | -                                | 186,386   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION (*Continued*)

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

For the year ended 31 December 2020

Other segment information

|  | Managed by GR Realty            |                                  |                                  |                  |                                  | Total     |
|--|---------------------------------|----------------------------------|----------------------------------|------------------|----------------------------------|-----------|
|  | Property investment in the U.S. | Property development in the U.S. | Property investment in Hong Kong | Fund Investments | Securities and other investments |           |
|  | HK\$'000                        | HK\$'000                         | HK\$'000                         | HK\$'000         | HK\$'000                         | HK\$'000  |
| Amounts included in the measure of segment profit or loss or segment assets:   |                                 |                                  |                                  |                  |                                  |           |
| Changes in fair value of financial instruments held for trading                | -                               | -                                | -                                | -                | 58,403                           | 58,403    |
| Changes in fair value of financial assets at fair value through profit or loss | -                               | -                                | -                                | 3,148            | 271                              | 3,419     |
| Changes in fair value of investment properties                                 | (395,135)                       | -                                | (9,640)                          | -                | -                                | (404,775) |
| Loss on re-measurement of interests in joint ventures                          | (50,339)                        | -                                | -                                | -                | -                                | (50,339)  |
| Share of results of joint ventures   | (98,993)                        | -                                | -                                | -                | -                                | (98,993)  |
| Gain on effective settlement of loan receivables                               | 60,787                          | -                                | -                                | -                | -                                | 60,787    |
| Loss attributable to limited partners and puttable instrument holders          | 187,285                         | -                                | -                                | -                | -                                | 187,285   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. SEGMENT INFORMATION (Continued)

### (b) Geographical information

The Group's operations are located in Hong Kong (place of domicile) and the U.S..

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

|           | Revenue (excluded inter-segment sales) |          | Non-current assets other than financial instruments and deferred tax assets |            |
|-----------|--|----------|---|------------|
|           | 2021                                   | 2020     | 2021  | 2020       |
|           | HK\$'000                               | HK\$'000 | HK\$'000  | HK\$'000   |
| Hong Kong | 10,585                                 | 10,766   | 451,964   | 456,353    |
| The U.S.  | 1,213,555                              | 591,972  | 8,087,446   | 10,987,777 |
| Others    | 2,966                                  | 1,118    | –   | –          |
|           | <b>1,227,106</b>                       | 603,856  | <b>8,539,410</b>  | 11,444,130 |

### (c) Information about major customers

For the year ended 31 December 2021, no revenue from a single customer accounted for 10% or more of the total revenue of the Group. For the year ended 31 December 2020, there was revenue received from a tenant generated from the Group's property investment in the U.S., whom contributed approximately HK\$72,927,000, represented approximately 12% of the Group's total revenue.

## 5. REVENUE

|   | 2021             | 2020     |
|---|------------------|----------|
|   | HK\$'000         | HK\$'000 |
| Rental income   | 983,833          | 502,089  |
| Dividend income   | 5,490            | 2,888    |
| Revenue from contracts with customers recognised overtime<br>– Ancillary service income to property leasing | 237,783          | 98,879   |
|   | <b>1,227,106</b> | 603,856  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. OPERATING EXPENSES

|                                    | 2021           | 2020           |
|------------------------------------|----------------|----------------|
|                                    | HK\$'000       | HK\$'000       |
| Repairs, maintenance and utilities | 256,694        | 127,335        |
| Property insurance costs           | 23,756         | 9,004          |
| Property management expenses       | 38,114         | 24,559         |
| Real estate taxes                  | 170,998        | 29,093         |
| Others                             | 4,139          | 3,302          |
|                                    | <b>493,701</b> | <b>193,293</b> |

## 7. OTHER INCOME, GAINS/LOSSES

|   | 2021          | 2020            |
|---|---------------|-----------------|
|   | HK\$'000      | HK\$'000        |
| Interest income                                       | 7,966         | 19,623          |
| Loss on re-measurement of interests in joint ventures | –             | (50,339)        |
| Gain on disposal of a subsidiary                      | –             | 1,253           |
| Gain on disposal of investment properties             | 36,175        | –               |
| Government grant (Note)                               | 18,055        | –               |
| Others  | 1,238         | 2,729           |
|   | <b>63,434</b> | <b>(26,734)</b> |

Note:

Government grant related to the paycheck protection program set up by the U.S. Department of the Treasury for the purpose of providing financial support to enterprises to maintain their payroll and cover applicable overhead. There were no unfulfilled conditions or contingencies relating to this government grant in which it was recognised during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 8. ADMINISTRATIVE AND OTHER EXPENSES

|                                      | 2021           | 2020     |
|--------------------------------------|----------------|----------|
|                                      | HK\$'000       | HK\$'000 |
| Auditors' remuneration (Note 11)     | 7,273          | 5,365    |
| Depreciation (Note 18)               | 15,875         | 10,137   |
| Employee costs                       | 92,095         | 55,276   |
| Rental expenses on short term leases | 567            | 549      |
| Legal and professional fee           | 39,937         | 31,005   |
| Insurances expenses                  | 9,067          | 4,792    |
| Informative service fee              | 8,926          | 4,033    |
| Others                               | 29,149         | 17,996   |
|                                      | <b>202,889</b> | 129,153  |

## 9. SHARE-BASED COMPENSATION

Equity-settled share option scheme of the Company:

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 23 June 2011 for the primary purpose of providing incentives to directors and eligible employees, and was expired on 22 June 2021.

Under the Scheme, the directors of the Company may grant share options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Details of specific categories of options are as follows:

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

No share-based compensation was recognised by the Group and the Company for the years ended 31 December 2021 and 2020.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. SHARE-BASED COMPENSATION (Continued)

Movements in share options are as follows:

|                            | 2021   |   | 2020         |   |
|----------------------------|--------|---|--------------|---|
|                            | Number | Weighted average exercise price<br>HK\$ | Number       | Weighted average exercise price<br>HK\$ |
| Outstanding at 1 January   | –      | –                                       | 34,510,000   | 1.02                                    |
| Exercised                  | –      | –                                       | (3,624,000)  | 0.96                                    |
| Forfeited or cancelled     | –      | –                                       | (30,886,000) | –                                       |
| Outstanding at 31 December | –      | –                                       | –            | –                                       |
| Exercisable at 31 December | –      | –                                       | –            | –                                       |

The fair value was calculated using the Binomial model.

## 10. FINANCE COSTS

|  | 2021           | 2020     |
|--|----------------|----------|
|  | HK\$'000       | HK\$'000 |
| Interest on bank and other borrowings  | <b>404,604</b> | 194,747  |
| Interest expenses on lease liabilities   | <b>5,524</b>   | 3,488    |
| Total interest expenses for financial liabilities that are not measured at fair value through profit or loss | <b>410,128</b> | 198,235  |
| Amortisation of arrangement fee  | <b>9,201</b>   | 3,643    |
| Less: Amount capitalised (Note)  | –              | (10,756) |
|  | <b>419,329</b> | 191,122  |

Note:

Borrowing costs have been capitalised during the year ended 31 December 2020 at various applicable rates ranging from 2.8% to 4.4% per annum and included in the additions to properties under development (Note 23).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. PROFIT/(LOSS) BEFORE INCOME TAX

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

|   | 2021             | 2020      |
|---|------------------|-----------|
|   | HK\$'000         | HK\$'000  |
| Auditors' remuneration (Note 8)   |                  |           |
| – Statutory audit services  | 2,100            | 2,000     |
| – Other audit services  | 5,173            | 3,365     |
|   | <b>7,273</b>     | 5,365     |
| Gross rental income from investment properties  | <b>(983,833)</b> | (502,089) |
| Direct operating expenses arising from investment properties that generate rental income                | <b>493,701</b>   | 193,293   |
|   | <b>(490,132)</b> | (308,796) |
| Net foreign exchange loss/(gain)  | <b>4,356</b>     | (3,712)   |
| Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments) (Note 39) | <b>1,961</b>     | 1,497     |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. INCOME TAX

The taxation attributable to the Group's operation comprises:

|  | 2021     | 2020     |
|--|----------|----------|
|  | HK\$'000 | HK\$'000 |
| Current tax – Hong Kong Profits Tax              |          |          |
| Provision for the year                           | 180      | 165      |
| Over-provision in respect of prior years         | (5)      | (102)    |
|  | 175      | 63       |
| Current tax – People's Republic of China ("PRC") |          |          |
| Enterprise Income Tax                            |          |          |
| Provision for the year                           | –        | 2        |
| Current tax – Overseas tax                       |          |          |
| Provision for the year                           | 8,958    | 1,870    |
| Under-provision in respect of prior years        | 2,106    | 8,023    |
|  | 11,064   | 9,893    |
| Deferred tax expenses (Note 35)                  | 34,312   | 85,822   |
| Income tax                                       | 45,551   | 95,780   |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2 million of assessable profits of the qualifying entity is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

All of the Group's PRC subsidiaries are subject to PRC Enterprise Income Tax rate of 25% for the year (2020: 25%).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. INCOME TAX (Continued)

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

|  | 2021             | 2020      |
|--|------------------|-----------|
|  | HK\$'000         | HK\$'000  |
| Profit/(loss) before income tax  | <b>284,166</b>   | (137,456) |
| Tax calculated at the rate applicable to profit/(loss) in the respective jurisdictions | <b>55,364</b>    | (27,437)  |
| Tax effect of expenses not deductible for tax purpose                                  | <b>85,609</b>    | 165,404   |
| Tax effect of income not taxable for tax purpose                                       | <b>(104,371)</b> | (90,099)  |
| Tax effect of share of results of joint ventures                                       | –                | 31,471    |
| Tax effect on tax losses being utilised  | <b>(46)</b>      | –         |
| Tax effect of unrecognised tax losses  | <b>1,387</b>     | 5,979     |
| Tax effect on temporary difference not recognised                                      | <b>(1,732)</b>   | (5,080)   |
| Others   | <b>59</b>        | (223)     |
| Under-provision in respect of prior years  | <b>2,101</b>     | 7,921     |
| Withholding tax  | <b>7,180</b>     | 7,844     |
| Income tax   | <b>45,551</b>    | 95,780    |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 13. DIRECTORS' EMOLUMENTS

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

|  | Lai Kwok   |              |                      |                     |                      |            |            |            |                   |                  | Lee                | Total        |
|--|------------|--------------|----------------------|---------------------|----------------------|------------|------------|------------|-------------------|------------------|--------------------|--------------|
|  | Sum        | Hung,        | Lam                  | Li                  | Law                  | Lo Woon    | Tang       | Chen       | Wang              | Zhou             | Sai Kai,           |              |
|  | Pui Ying   | Alex         | Yee Lan <sup>1</sup> | Hongbo <sup>2</sup> | Tze Lun <sup>5</sup> | Bor, Henry | Runjiang   | Yingshun   | Xiao <sup>3</sup> | Yue <sup>4</sup> | David <sup>6</sup> |              |
|  | HK\$'000   | HK\$'000     | HK\$'000             | HK\$'000            | HK\$'000             | HK\$'000   | HK\$'000   | HK\$'000   | HK\$'000          | HK\$'000         | HK\$'000           | HK\$'000     |
| <b>2021</b>                                    |            |              |                      |                     |                      |            |            |            |                   |                  |                    |              |
| Fees   | 180        | 180          | 180                  | -                   | 141                  | 180        | 180        | 180        | -                 | 180              | 39                 | 1,440        |
| Other emoluments                               |            |              |                      |                     |                      |            |            |            |                   |                  |                    |              |
| - Salaries and other benefits                  | -          | 1,718        | 1,146                | -                   | -                    | -          | -          | -          | -                 | -                | -                  | 2,864        |
| - Contributions to retirement benefits schemes | -          | 161          | 114                  | -                   | -                    | -          | -          | -          | -                 | -                | -                  | 275          |
| <b>Total emoluments</b>                        | <b>180</b> | <b>2,059</b> | <b>1,440</b>         | <b>-</b>            | <b>141</b>           | <b>180</b> | <b>180</b> | <b>180</b> | <b>-</b>          | <b>180</b>       | <b>39</b>          | <b>4,579</b> |
| <b>2020</b>                                    |            |              |                      |                     |                      |            |            |            |                   |                  |                    |              |
| Fees   | 180        | 180          | 98                   | 83                  | 180                  | 180        | 180        | 180        | 98                | 10               | -                  | 1,369        |
| Other emoluments                               |            |              |                      |                     |                      |            |            |            |                   |                  |                    |              |
| - Salaries and other benefits                  | -          | 1,573        | 1,074                | -                   | -                    | -          | -          | -          | -                 | -                | -                  | 2,647        |
| - Contributions to retirement benefits schemes | -          | 149          | 107                  | -                   | -                    | -          | -          | -          | -                 | -                | -                  | 256          |
| <b>Total emoluments</b>                        | <b>180</b> | <b>1,902</b> | <b>1,279</b>         | <b>83</b>           | <b>180</b>           | <b>180</b> | <b>180</b> | <b>180</b> | <b>98</b>         | <b>10</b>        | <b>-</b>           | <b>4,272</b> |

<sup>1</sup> appointed as an executive director on 15 June 2020

<sup>2</sup> resigned as a non-executive director on 15 June 2020

<sup>3</sup> appointed as a non-executive director on 15 June 2020 and resigned on 31 December 2020

<sup>4</sup> appointed as a non-executive director on 10 December 2020

<sup>5</sup> resigned as an independent non-executive director on 13 October 2021

<sup>6</sup> appointed as an independent non-executive director on 13 October 2021

Notes:

(a) No directors waived any emoluments for each of the years ended 31 December 2021 and 2020.

(b) No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during each of the years ended 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT PERSONNEL'S EMOLUMENT

The five highest paid individuals for the year did not include any director (2020: one director) whose emolument is reflected in Note 13 above. The emoluments of the five (2020: remaining four) highest paid individuals are as follows:

|  | 2021          | 2020     |
|--|---------------|----------|
|  | HK\$'000      | HK\$'000 |
| Salaries and other benefits                  | 17,471        | 6,317    |
| Contributions to retirement benefits schemes | 29            | 33       |
|  | <b>17,500</b> | 6,350    |

Their emoluments were within the following bands:

|                                | 2021             | 2020             |
|--------------------------------|------------------|------------------|
|                                | No. of employees | No. of employees |
| HK\$3,500,001 to HK\$4,000,000 | 3                | –                |
| HK\$3,000,001 to HK\$3,500,000 | 2                | –                |
| HK\$2,500,001 to HK\$3,000,000 | –                | –                |
| HK\$2,000,001 to HK\$2,500,000 | –                | –                |
| HK\$1,500,001 to HK\$2,000,000 | –                | 3                |
| HK\$1,000,001 to HK\$1,500,000 | –                | 1                |
| Nil to HK\$1,000,000           | –                | –                |

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

|                                | 2021             | 2020             |
|--------------------------------|------------------|------------------|
|                                | No. of employees | No. of employees |
| HK\$1,000,001 to HK\$1,500,000 | 2                | 2                |
| Nil to HK\$1,000,000           | –                | 1                |

Note:

During the year ended 31 December 2021, the emoluments of the highest paid are all employees (2020: excluded a director, are all employees) of GR Realty, their emoluments are determined with reference to the salary standard in the U.S..

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during each of the years ended 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. 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 year attributable to owners of the Company of approximately HK\$8,337,000 (2020: approximately HK\$233,262,000) and on the weighted average number of ordinary shares of 635,570,000 (2020: 569,652,000) in issue during the year.

|   | 2021           | 2020      |
|---|----------------|-----------|
|   | HK\$'000       | HK\$'000  |
| Loss attributable to owners of the Company                              | <b>(8,111)</b> | (233,036) |
| Less: Distribution paid to the holder of perpetual bond during the year | <b>(226)</b>   | (226)     |
| Adjusted loss attributable to the owners of the Company                 | <b>(8,337)</b> | (233,262) |

### (b) Diluted loss per share

No adjustment was made to basic loss per share amount presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of share options and convertible preference shares outstanding had an anti-dilutive effect on the basic loss per share amount presented.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. DIVIDENDS

No dividend was paid or proposed in respect of the convertible preference shares and the ordinary shares of the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

## 17. INVESTMENT PROPERTIES

The Group's investment properties comprise:

|                         | 2021             | 2020       |
|-------------------------|------------------|------------|
|                         | HK\$'000         | HK\$'000   |
| Properties in Hong Kong | 439,690          | 450,560    |
| Properties in the U.S.  | 8,058,819        | 10,913,001 |
|                         | <b>8,498,509</b> | 11,363,561 |

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 revaluation of investment properties during the current year gave rise to a net loss arising from changes in fair value of approximately HK\$150,799,000 (2020: approximately HK\$404,775,000) which has been recognised in profit or loss. Approximately 72% (2020: approximately 74%) of the investment properties of the Group were rented out under operating leases as at 31 December 2021.

As at 31 December 2021, investment properties of approximately HK\$7,816,898,000 (2020: approximately HK\$10,578,093,000) were pledged as collateral for bank borrowings of approximately HK\$4,647,150,000 (2020: approximately HK\$6,922,096,000) as disclosed in Note 29.

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

|   | 2021             | 2020       |
|---|------------------|------------|
|   | HK\$'000         | HK\$'000   |
| At the beginning of the year                  | 11,363,561       | 1,522,774  |
| Additions through consolidation of GR Realty  | –                | 10,220,027 |
| Capital expenditure                           | 122,755          | 88,312     |
| Disposal during the year                      | (1,786,583)      | –          |
| Disposal of a subsidiary                      | –                | (61,540)   |
| Changes in fair value                         | (150,799)        | (404,775)  |
| Transferred to assets held for sale (Note 20) | (1,108,310)      | –          |
| Exchange realignment                          | 57,885           | (1,237)    |
| At the end of the year                        | <b>8,498,509</b> | 11,363,561 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

- (c) Included in total investment properties are assets in which the Group is a lessee for certain ground leases. These ground leases have been recognised with the corresponding investment properties at fair value and recorded as investment properties.

A reconciliation of the ground leases is as follows:

|  | 2021     | 2020     |
|--|----------|----------|
|  | HK\$'000 | HK\$'000 |
| At the beginning of the year                 | 94,664   | –        |
| Additions through consolidation of GR Realty | –        | 102,102  |
| Disposal of a subsidiary                     | –        | (7,635)  |
| Disposal during the year                     | (40,466) | –        |
| Changes in fair value                        | 6        | 158      |
| Transferred to assets held for sale          | (53,630) | –        |
| Exchange realignment                         | 233      | 39       |
| At the end of the year                       | 807      | 94,664   |

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

*The significant unobservable inputs into the valuation technique include:*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INVESTMENT PROPERTIES (Continued)

Information about Level 3 fair value measurements of the investment properties are as follows:

### 31 December 2021

| Properties and location   | Fair value HK\$'000 | Valuation techniques                          | Significant unobservable inputs  | Range of significant unobservable inputs  | Interrelationship between key unobservable inputs and fair value measurement                  |
|---|---------------------|---|--|---|---|
| Office premises situated in Hong Kong (Note (i))                              | 409,900             | Income capitalisation approach                | Estimated rental value   | HK\$48 – HK\$53 per month per square feet | The higher the rental value, the higher the fair value  |
|   |                     |   | Discount rate  | 2% – 2.4%                                 | The higher the discount rate, the lower the fair value  |
| Residential properties and carparking spaces situated in Hong Kong (Note (i)) | 29,790              | Income capitalisation approach                | Estimated rental value   | HK\$20 – HK\$22 per month per square feet | The higher the rental value, the higher the fair value  |
|   |                     |   | Discount rate  | 2% – 2.5%                                 | The higher the discount rate, the lower the fair value  |
| Residential properties situated in the U.S. (Note (iii))                      | 166,409             | Market comparison approach                    | Premium or discount for quality of properties (e.g. view, level and condition of the residential properties) | -6% – 6%                                  | The higher the quality of properties with reference to comparables, the higher the fair value |
| Office premises situated in the U.S. (Note (ii))                              | 704,940             | Market comparison approach                    | Premium or discount for quality of properties (e.g. location, size and condition of the office building)     | -22% – 17%                                | The higher the quality of properties with reference to comparables, the higher the fair value |
| Other office premises situated in the U.S. and held by GR Realty (Note (iii)) | 7,187,470           | Income approach – discounted cash flow method | Discount rate  | 7.75% – 17%                               | The higher the discount rate, the lower the fair value  |
|   |                     |   | Terminal capitalisation rate   | 5.75% – 14.25%                            | The higher the terminal capitalisation rate, the lower the fair value                         |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INVESTMENT PROPERTIES (Continued)

31 December 2020

| Properties and location  | Fair value<br>HK\$'000 | Valuation<br>techniques                                | Significant<br>unobservable<br>inputs   | Range of<br>significant<br>unobservable<br>inputs | Interrelationship<br>between key<br>unobservable inputs<br>and fair value<br>measurement                  |
|--|------------------------|--|---|---|---|
| Office premises situated<br>in Hong Kong (Note (i))                                    | 421,500                | Income<br>capitalisation<br>approach                   | Estimated rental<br>value   | HK\$48 – HK\$55<br>per month<br>per square feet   | The higher the rental<br>value, the higher the<br>fair value  |
|  |                        |  | Discount rate   | 2% – 2.4%   | The higher the discount<br>rate, the lower the<br>fair value  |
| Residential properties<br>and carparking spaces<br>situated in Hong Kong<br>(Note (i)) | 29,060                 | Income<br>capitalisation<br>approach                   | Estimated rental<br>value   | HK\$20 – HK\$22<br>per month<br>per square feet   | The higher the rental<br>value, the higher the<br>fair value  |
|  |                        |  | Discount rate   | 2.1% – 2.6%                                       | The higher the discount<br>rate, the lower the<br>fair value  |
| Residential properties<br>situated in the U.S.<br>(Note (ii))                          | 168,229                | Market<br>comparison<br>approach                       | Premium or<br>discount for<br>quality of<br>properties (e.g.<br>view, level and<br>condition of<br>the residential<br>properties) | -5% – 5%  | The higher the quality<br>of properties<br>with reference to<br>comparables, the<br>higher the fair value |
| Office premises situated<br>in the U.S. (Note (ii))                                    | 886,886                | Market<br>comparison<br>approach                       | Premium or<br>discount for<br>quality of<br>properties (e.g.<br>location, size and<br>condition of the<br>office building)        | -20% – 13%  | The higher the quality<br>of properties<br>with reference to<br>comparables, the<br>higher the fair value |
| Other office premises<br>situated in the U.S.<br>and held by GR Realty<br>(Note (iii)) | 9,857,886              | Income approach<br>– discounted<br>cash flow<br>method | Discount rate   | 6% – 14%  | The higher the discount<br>rate, the lower the<br>fair value  |
|  |                        |  | Terminal<br>capitalisation rate   | 4% – 10.25%                                       | The higher the terminal<br>capitalisation rate,<br>the lower the fair<br>value                            |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INVESTMENT PROPERTIES (*Continued*)

Notes:

- (i) The fair values of the office premises, residential properties and carparking space situated in Hong Kong are determined using income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in lettable units of the properties as well as other lettings of similar properties in the same location. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusting to take into account the quality and location of the properties. As at 31 December 2021 and 2020, the fair values of these investment properties have been arrived at on the basis of a valuation carried out on that dates by BMI Appraisals Limited ("**BMI Appraisals**"), which is an independent qualified professional valuer not connected with the Group. The valuation reports on these properties were signed by a director of BMI Appraisals who are member of the Hong Kong Institute of Surveyors.
- (ii): The fair values of the residential properties and office building located in the U.S. are determined using market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement. As at 31 December 2021 and 2020, the fair values of these investment properties have been arrived at on the basis of a valuation carried out on that dates by BMI Appraisals, which is an independent qualified professional valuer not connected with the Group. The valuation reports on these properties were signed by a director of BMI Appraisals who are member of the Hong Kong Institute of Surveyors.
- (iii): The fair values of these investment properties located in the U.S. and held by GR Realty are conducted by a dedicated valuation team reporting to the management. It utilised discounted cash flow ("**DCF**") method under income approach by generating the DCF models via ARGUS Enterprise software ("**Argus Model**"), which involves the projection of a series of cash flows on real property interest. Argus Model is a global solution for commercial real estate valuation. Under the Argus Model, a property's fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's estimated life, including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of cash flows associated with the property.

The specific timing of cash inflows and outflows are determined by events, such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 18. PROPERTY, PLANT AND EQUIPMENT

|  | Freehold land | Buildings | Leasehold improvements | Furniture, fixtures and equipment | Computer equipment | Total    |
|--|---------------|-----------|------------------------|-----------------------------------|--------------------|----------|
|  | HK\$'000      | HK\$'000  | HK\$'000               | HK\$'000                          | HK\$'000           | HK\$'000 |
| <b>COST</b>                                  |               |           |                        |                                   |                    |          |
| At 1 January 2020                            | -             | 10,390    | 4,261                  | 4,303                             | 1,126              | 20,080   |
| Additions                                    | -             | 13,250    | 856                    | 2,337                             | 135                | 16,578   |
| Additions through consolidation of GR Realty | 15,171        | 28,074    | 11,764                 | 2,386                             | -                  | 57,395   |
| Effect of lease modification                 | -             | -         | -                      | (699)                             | -                  | (699)    |
| Transfer                                     | -             | -         | (757)                  | 757                               | -                  | -        |
| Exchange realignment                         | 5             | 5         | 5                      | 14                                | 7                  | 36       |
| At 31 December 2020                          | 15,176        | 51,719    | 16,129                 | 9,098                             | 1,268              | 93,390   |
| Additions                                    | -             | 17,083    | 964                    | 1,687                             | 167                | 19,901   |
| Disposal                                     | (15,213)      | (15,909)  | (5,522)                | (964)                             | -                  | (37,608) |
| Effect of lease termination                  | -             | (12,096)  | -                      | -                                 | -                  | (12,096) |
| Exchange realignment                         | 37            | 367       | 1,195                  | 1,292                             | 3                  | 2,894    |
| At 31 December 2021                          | -             | 41,164    | 12,766                 | 11,113                            | 1,438              | 66,481   |
| <b>DEPRECIATION</b>                          |               |           |                        |                                   |                    |          |
| At 1 January 2020                            | -             | 2,362     | 3,103                  | 2,210                             | 982                | 8,657    |
| Charged for the year (Note 8)                | -             | 8,091     | 1,127                  | 789                               | 130                | 10,137   |
| Effect of lease modification                 | -             | -         | -                      | (612)                             | -                  | (612)    |
| Exchange realignment                         | -             | (3)       | (1)                    | 28                                | 8                  | 32       |
| At 31 December 2020                          | -             | 10,450    | 4,229                  | 2,415                             | 1,120              | 18,214   |
| Charged for the year (Note 8)                | -             | 12,561    | 1,908                  | 1,291                             | 115                | 15,875   |
| Disposal                                     | -             | (642)     | (211)                  | -                                 | -                  | (853)    |
| Effect of lease termination                  | -             | (10,276)  | -                      | -                                 | -                  | (10,276) |
| Exchange realignment                         | -             | 57        | 1,152                  | 1,408                             | 3                  | 2,620    |
| At 31 December 2021                          | -             | 12,150    | 7,078                  | 5,114                             | 1,238              | 25,580   |
| <b>NET BOOK VALUE</b>                        |               |           |                        |                                   |                    |          |
| At 31 December 2021                          | -             | 29,014    | 5,688                  | 5,999                             | 200                | 40,901   |
| At 31 December 2020                          | 15,176        | 41,269    | 11,900                 | 6,683                             | 148                | 75,176   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 18. PROPERTY, PLANT AND EQUIPMENT (*Continued*)

Note:

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

|  | <b>Buildings</b> | <b>Furniture,<br/>fixture and<br/>equipment</b> | <b>Total</b>    |
|--|------------------|---|-----------------|
|  | <b>HK\$'000</b>  | <b>HK\$'000</b>                                 | <b>HK\$'000</b> |
| <b>Right-of-use assets</b>                   |                  |   |                 |
| At 1 January 2020                            | 8,028            | 209   | 8,237           |
| Additions                                    | 13,250           | 913   | 14,163          |
| Additions through consolidation of GR Realty | 12,211           | 402   | 12,613          |
| Depreciation                                 | (7,805)          | (326)   | (8,131)         |
| Effect of lease modification                 | –                | (87)  | (87)            |
| Exchange realignment                         | 3                | (8)   | (5)             |
|  | <hr/>            | <hr/>   | <hr/>           |
| At 31 December 2020                          | 25,687           | 1,103   | 26,790          |
| Additions                                    | 17,083           | 1,031   | 18,114          |
| Depreciation                                 | (12,209)         | (576)   | (12,785)        |
| Effect of lease termination                  | (1,820)          | –   | (1,820)         |
| Exchange realignment                         | 272              | (135)   | 137             |
|  | <hr/>            | <hr/>   | <hr/>           |
| At 31 December 2021                          | 29,013           | 1,423   | 30,436          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INVESTMENTS IN ASSOCIATES

|   | 2021         | 2020     |
|---|--------------|----------|
|   | HK\$'000     | HK\$'000 |
| At the beginning of the year                | 5,393        | –        |
| Addition through consolidation of GR Realty | –            | 6,882    |
| Contributions                               | –            | 3        |
| Share of results                            | 1,063        | (1,500)  |
| Exchange difference                         | 35           | 8        |
| At the end of the year                      | <b>6,491</b> | 5,393    |

Details of the Group's interest in associates are as follows:

| Name of associates                        | Form of business structure | Place of business/country of incorporation | Percentage of ownership interests/voting rights |       | Principal activities |
|---|----------------------------|--|---|-------|----------------------|
|   |                            |  | 2021  | 2020  |                      |
| Pyramid Plaza Member, LLC                 | Limited liability company  | The U.S.                                   | 4.38%   | 4.38% | Investment holding   |
| BIG Pyramid Plaza, LLC                    | Limited liability company  | The U.S.                                   | 1.73%   | 1.73% | Investment holding   |
| BIG One American Place, LLC               | Limited liability company  | The U.S.                                   | 2.82%   | 2.82% | Investment holding   |
| One American Place Member, LLC            | Limited liability company  | The U.S.                                   | 1.34%   | 1.34% | Investment holding   |
| Gemini Business Consultancy Palo Alto LLC | Limited liability company  | The U.S.                                   | 25%   | 25%   | Dormant              |

All associates are considered as immaterial associates of the Group and are accounted for using the equity method. The aggregate carrying amount of the interest in all individually immaterial associates is US\$832,000 (equivalent to approximately HK\$6,491,000) (2020: US\$695,000 (equivalent to approximately HK\$5,393,000)).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets classified as held for sale is as follows:

|                              | 2021             |
|------------------------------|------------------|
|                              | HK\$'000         |
| Investment properties (Note) | <b>1,108,310</b> |

Note:

During the year, the Group entered into four sale agreements with independent third parties to sell investment properties with a total consideration of approximately HK\$1,132,426,000. The fair values of the investment properties classified as held for sale of approximately HK\$166,297,000 and HK\$942,013,000 has been arrived on market comparison approach and income approach carried out by the management as disclosed in Note 17.

The investment property which was expected to be sold within twelve months was classified as held for sale and were presented separately in the consolidated statement of financial position.

As at 31 December 2021, investment properties in assets classified as held for sale of approximately HK\$942,013,000 (2020: Nil) were pledged as collateral for bank borrowings of approximately HK\$670,945,000 (2020: Nil) (Note 29).

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | 2021             | 2020      |
|--|------------------|-----------|
|  | HK\$'000         | HK\$'000  |
| Unlisted equity investments (Note (a)) | <b>82</b>        | 71        |
| Other assets (Note (b))                | <b>6,810</b>     | 6,110     |
| Unlisted fund investments (Note (c))   | <b>1,952,090</b> | 2,154,866 |
|  | <b>1,958,982</b> | 2,161,047 |

The fair value of these investments as at 31 December 2021 and 2020 were estimated by BMI Appraisals, details of the fair value measurement are set out in Note 45(h) to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Notes:

- (a) At the end of the reporting period, the fair value of the Group's investments in unlisted equity securities issued by a private entity incorporated outside Hong Kong was approximately RMB67,000 (equivalent to approximately HK\$82,000) (2020: approximately RMB59,000 (equivalent to approximately HK\$71,000)).
- (b) Other assets represented the club debentures. As the end of the reporting period, the fair value of the club debentures held by the Group was HK\$6,810,000 (2020: HK\$6,110,000).

As at 31 December 2021 and 2020, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted equity investments and others) as mentioned above was categorised within level 3 of the fair value hierarchy.

- (c)(i) At the end of the reporting period, the Group held nil (2020: 341,000) participating redeemable preference shares (the "**Participating Shares**") in an investment entity incorporated outside Hong Kong for diversifying the Group's securities investment risk and further enhance the rate of return of the Group's core business of securities investment. The fair value of the Participating Shares held by the Group as at 31 December 2020 was approximately HK\$138,845,000. During the year ended 31 December 2021, the Participating Shares were fully redeemed.
- (c)(ii) At the end of the reporting period, the Group held nil (2020: 141,000) participating redeemable preference shares in a sub-fund of an investment entity incorporated in the Cayman Islands (the "**Sub-Fund A**"). The Sub-Fund A is focus on, but not limited to, Asia (excluding Japan) equity to generate positive returns in all market conditions. The fair value of participating redeemable preference shares of the Sub-Fund A held by the Group as at 31 December 2020 was approximately HK\$176,749,000. During the year ended 31 December 2021, 80,000 participating redeemable preference shares in the Sub-Fund A were redeemed, and the remaining participating redeemable preference shares were converted into approximately 41,000 participating redeemable preference shares in another sub-fund of above mentioned investment entity (the "**Sub-Fund B**") with the equivalent carrying fair value.
- (c)(iii) At the end of the reporting period, the Group also held approximately 151,000 (2020: 110,000) participating redeemable preference shares in the Sub-Fund B. The Sub-Fund B invested the collected funds to generate positive returns in all market conditions by employing multi-strategy investment approach, to invest on, but not limited to, Asia Pacific equity by employing bottom-up approach and to invest in both long and short term of different asset classes. The fair value of participating redeemable preference shares of the Sub-Fund B held by the Group as at 31 December 2021 was approximately HK\$279,028,000 (2020: approximately HK\$184,042,000).

As at 31 December 2021 and 2020, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted fund investments) as mentioned in Notes (c)(i) to (c)(iii) above was categorised within level 2 of the fair value hierarchy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Notes: *(Continued)*

- (c)(iv) At the end of the reporting period, the Group held approximately 1,012,000 (2020: 1,012,000) non-redeemable, non-voting participating shares of the Neutron Property Fund Limited (the “**Property Fund**”), which incorporated in Cayman Islands and 637,000 (2020: 637,000) non-redeemable, non-voting participating shares of an investment entity incorporated in the Cayman Islands (the “**Private Equity Fund**”). The fair value of the investments in the Property Fund and the Private Equity Fund as at 31 December 2021 was approximately HK\$475,453,000 (2020: approximately HK\$496,329,000) and approximately HK\$529,614,000 (2020: approximately HK\$536,869,000) respectively.

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

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

- (c)(v) On 3 November 2015, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement with Prosperity Risk Balanced Fund LP (the “**PRB Fund**”), pursuant to which the Group agreed to contribute commitments for a total amount of US\$60,000,000 (equivalent to approximately HK\$465,000,000) as a limited partner to PRB Fund. The amount of the Group’s commitments represents 23.08% of the total commitments of US\$260,000,000 (equivalent to approximately HK\$2,025,000,000). As at 31 December 2021, the fair value of the investments in the PRB Fund was approximately HK\$667,995,000 (2020: approximately HK\$622,032,000).

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

As at 31 December 2021 and 2020, the Group has no outstanding commitments to make capital contribution.

As at 31 December 2021 and 2020, the fair value measurement of the financial assets at fair value through profit or loss (i.e. unlisted fund investments) as mentioned in Notes (c)(iv) and (c)(v) above was categorised within level 3 of the fair value hierarchy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

|  | 2021           | 2020     |
|--|----------------|----------|
|  | HK\$'000       | HK\$'000 |
| Service income receivables (Note (a))      | <b>10,663</b>  | 12,117   |
| Rental receivables                         | <b>10,815</b>  | 15,129   |
| Accrued rental income receivables          | <b>88,850</b>  | 58,878   |
| Other receivables (Note (b))               | <b>97,711</b>  | 70,123   |
| Earnest deposits (Note (c))                | <b>81,879</b>  | –        |
| Receivables of fund redemptions (Note (d)) | <b>247,495</b> | –        |
| Prepayments and deposits                   | <b>30,158</b>  | 23,455   |
|  | <b>567,571</b> | 179,702  |
| Classified as:                             |                |          |
| Current assets                             | <b>498,173</b> | 69,290   |
| Non-current assets                         | <b>69,398</b>  | 110,412  |
|  | <b>567,571</b> | 179,702  |

Notes:

- (a) The service income receivables are receivables from contracts with customers. Based on invoice date, the whole balances (net of ECLs) as at 31 December 2021 and 2020 are aged within 0 – 30 days.
- (b) As at 31 December 2021, the other receivables are unsecured, non-interest bearing and repayable on demand, except for a receivable due from a third party of US\$8,219,000 (equivalent to approximately HK\$64,094,000) (2020: US\$8,219,000 (equivalent to approximately HK\$63,718,000)) which is unsecured, interest bearing at 3% per annum and repayable in 2022.
- (c) The earnest deposits are unsecured, interest free and refundable on demand. The sole purpose of the earnest deposits is to facilitate the potential acquisition of projects in the U.S..
- (d) During the year, the Group redeemed part of its participating redeemable preference shares in financial assets at fair value through profit or loss as disclosed in Note 21(c)(i) and (c)(ii). The receivables of fund redemptions are unsecured and interest free.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 23. PROPERTIES UNDER DEVELOPMENT

|  | 2021             | 2020      |
|--|------------------|-----------|
|  | HK\$'000         | HK\$'000  |
| At the beginning of the year                 | <b>1,563,839</b> | 685,918   |
| Additions                                    | <b>288,007</b>   | 227,931   |
| Additions through consolidation of GR Realty | –                | 653,056   |
| Exchange realignment                         | <b>9,755</b>     | (3,066)   |
| At the end of the year                       | <b>1,861,601</b> | 1,563,839 |

|   | 2021             | 2020      |
|---|------------------|-----------|
|   | HK\$'000         | HK\$'000  |
| Properties under development comprised:         |                  |           |
| Land  | <b>1,063,000</b> | 1,056,799 |
| Construction costs and capitalised expenditures | <b>783,138</b>   | 491,668   |
| Borrowing costs capitalised (Note 10)           | <b>15,463</b>    | 15,372    |
|   | <b>1,861,601</b> | 1,563,839 |

The Group's properties under development are located in the U.S. They are expected to be completed within the normal operating cycle of the Group and classified as current assets.

The properties under development of approximately HK\$1,049,678,000 (2020: approximately HK\$875,139,000) is expected to be completed and available for sale within twelve months after the end of the reporting period while remaining properties under development of approximately HK\$811,923,000 (2020: approximately HK\$688,700,000) are expected to be completed and available for sale for more than twelve months after the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 24. FINANCIAL INSTRUMENTS HELD FOR TRADING

|  | 2021           | 2020     |
|--|----------------|----------|
|  | HK\$'000       | HK\$'000 |
| Current assets                                     |                |          |
| Listed investments:                                |                |          |
| – Investments listed in Hong Kong                  | 22,833         | 47,736   |
| – Investments listed in the PRC and overseas       | 301,764        | 498,118  |
|  | <b>324,597</b> | 545,854  |
| Current liabilities                                |                |          |
| Derivatives:                                       |                |          |
| – Forward exchange contracts and futures contracts | –              | 3,991    |
| – Interest rate swap contracts (Note)              | –              | 1,474    |
|  | –              | 5,465    |

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

The listed securities held by the Group are mainly listed in Hong Kong, the U.S., Europe, Japan, Korea, Sweden and the PRC. The Group maintains a portfolio of diversified investments in terms of industry distribution such as, electric vehicle, global equity index, gold, 5G, information technology, medical/biotechnology, healthcare, online/home games, e-commerce, food, consumer goods and commodities. As such, the value of the Group's listed securities is significantly affected by high volatility of global capital market.

Note:

The total notional principal amount of the outstanding interest rate swap contracts as at 31 December 2020 was approximately HK\$194,179,000, with interest rate of 2.10%. The maturity dates of interest rate swap contracts are within 12 months from the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. RESTRICTED BANK DEPOSITS

As at 31 December 2021, restricted bank deposits represented pledged bank deposits amounted to approximately HK\$17,549,000 (2020: approximately HK\$34,992,000) and escrow and reserves of approximately HK\$146,054,000 (2020: approximately HK\$275,341,000). Certain pledged bank deposits amounted to approximately HK\$15,780,000 (2020: approximately HK\$33,664,000) were classified as current assets and the remaining balance of pledged bank deposits of approximately HK\$1,769,000 (2020: approximately HK\$1,328,000) were classified as non-current assets as at 31 December 2021.

Escrow and reserves represented mandatory deposits to cover certain obligations as set forth in the mortgage loan agreement. These cash balances are used primarily to pay for insurance and real estate taxes over the next period and capital repairs as needed. Escrow and reserves are classified as current assets accordingly.

Pledged bank deposits have been secured for the borrowings as disclosed in Note 29.

## 26. CASH AND BANK BALANCES

|                              | 2021     | 2020      |
|------------------------------|----------|-----------|
|                              | HK\$'000 | HK\$'000  |
| Cash and bank balances       | 594,868  | 941,567   |
| Short-term bank deposits     | 230,079  | 220,622   |
| Total cash and bank balances | 824,947  | 1,162,189 |

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

As at 31 December 2021, the bank balances of the Group denominated in RMB amounted to approximately HK\$17,429,000 (2020: approximately HK\$77,967,000), which were deposited with the banks and financial institution in the PRC. RMB is currently not a free convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rates of short term bank deposits ranged from 0.01% to 0.25% per annum as at 31 December 2021 (2020: ranged from 0.01% to 0.25% per annum). These deposits have initial maturity period within three months. The Group considered that the fair value of the short term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. OTHER PAYABLES AND ACCRUED CHARGES

|   | 2021           | 2020     |
|---|----------------|----------|
|   | HK\$'000       | HK\$'000 |
| Current liabilities                       |                |          |
| Other payables and accrued charges (Note) | <b>127,078</b> | 180,732  |
| Other taxes payables                      | <b>52,063</b>  | 98,969   |
| Accrued interests                         | <b>488,555</b> | 377,139  |
| Tenant improvement payables               | <b>70,985</b>  | 48,861   |
| Rental deposits received                  | <b>11,511</b>  | 12,131   |
|   | <b>750,192</b> | 717,832  |
| Non-current liabilities                   |                |          |
| Rental deposits received                  | <b>21,848</b>  | 28,267   |
| Other payables and accrued charges        | <b>3,217</b>   | 2,952    |
|   | <b>25,065</b>  | 31,219   |

Note:

It mainly consisted of rental income received in advance from the tenants in the U.S., staff costs payable and payables to services providers related to investment properties.

## 28. AMOUNTS DUE TO SHAREHOLDERS

|   | 2021           | 2020     |
|---|----------------|----------|
|   | HK\$'000       | HK\$'000 |
| Current liabilities   |                |          |
| Sino-Ocean Group Holding Limited ("Sino-Ocean") (Note (a))  | <b>429,543</b> | 488,763  |
| Non-current liabilities                                     |                |          |
| Grand Beauty Management Limited ("Grand Beauty") (Note (b)) | <b>896,770</b> | 891,538  |

Notes:

- (a) The amount due is unsecured, interest-free and repayable on demand.
- (b) The amount due is unsecured, interest bearing at a rate of 4.25% per annum, matures on 1 April 2023 and denominated in U.S. dollars. The related interest payable due to Grand Beauty amounted to approximately HK\$226,635,000 (2020: approximately HK\$181,000,000) is included in accrued interests (Note 27).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. BORROWINGS

|   | 2021               | 2020        |
|---|--------------------|-------------|
|   | HK\$'000           | HK\$'000    |
| Lease liabilities (Note 36)                                 |                    |             |
| Within 1 year   | <b>14,173</b>      | 9,287       |
| After 1 year but within 2 years                             | <b>12,279</b>      | 6,984       |
| After 2 years but within 5 years                            | <b>7,161</b>       | 10,842      |
| Over 5 years  | <b>53,674</b>      | 95,404      |
|   | <b>87,287</b>      | 122,517     |
| Bank loans and revolving loans (Note (a))                   |                    |             |
| Within 1 year   | <b>1,654,964</b>   | 2,152,365   |
| After 1 year but within 2 years                             | <b>264,005</b>     | 398,851     |
| After 2 years but within 5 years                            | <b>2,684,950</b>   | 3,751,773   |
| Over 5 years  | <b>714,176</b>     | 860,210     |
|   | <b>5,318,095</b>   | 7,163,199   |
| Notes payable (Note (b))                                    |                    |             |
| Within 1 year   | <b>195,289</b>     | 109,702     |
| After 1 year but within 2 years                             | <b>203,490</b>     | 241,708     |
| After 2 years but within 5 years                            | <b>351,428</b>     | 417,431     |
|   | <b>750,207</b>     | 768,841     |
| Total borrowings  | <b>6,155,589</b>   | 8,054,557   |
| Amount due within 1 year included under current liabilities | <b>(1,864,426)</b> | (2,271,354) |
|   | <b>4,291,163</b>   | 5,783,203   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. BORROWINGS (Continued)

Notes:

(a) Bank loans and revolving loans

|                 | 2021             | 2020             |
|-----------------|------------------|------------------|
|                 | HK\$'000         | HK\$'000         |
| Secured loans   | 5,318,095        | 6,980,240        |
| Unsecured loans | –                | 182,959          |
|                 | <b>5,318,095</b> | <b>7,163,199</b> |

All the bank loans and revolving loans are denominated in U.S. dollars.

The bank loans and revolving loans amounted to approximately HK\$5,318,095,000 (2020: approximately HK\$6,980,240,000) were secured by way of legal charges over certain of the Group's investment properties (Note 17), pledged bank deposits (Note 25) and the interests of certain subsidiaries of the Group.

(b) Notes payable

|                       | 2021     | 2020     |
|-----------------------|----------|----------|
|                       | HK\$'000 | HK\$'000 |
| Secured notes payable | 750,207  | 768,841  |

All the notes payable are denominated in U.S. dollars and were secured by way of legal charges over the interests of certain subsidiaries of the Group.

## 30. OTHER FINANCIAL ASSETS/LIABILITIES

|   | 2021     | 2020     |
|---|----------|----------|
|   | HK\$'000 | HK\$'000 |
| Non-current assets                                      |          |          |
| Limited partner interests (Note (a))                    | 536,572  | 420,191  |
| Current liabilities                                     |          |          |
| Interests of Class B members with put option (Note (b)) | 139,009  | 150,345  |
| Non-current liabilities                                 |          |          |
| Limited partner interests (Note (a))                    | 268,758  | 375,663  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. OTHER FINANCIAL ASSETS/LIABILITIES (*Continued*)

Notes:

- (a) Limited partner interests are associated with those limited partnerships where GR Realty being the general partner. Limited partner interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Group's consolidated income statement and within assets/liabilities or equity in the consolidated statement of financial position.

The limited partner interests associated with those limited partnerships that have a perpetual term are recognised as non-controlling interests within equity in the consolidated statement of financial position. The related income or loss allocated to non-controlling interests is presented as profit or loss attributable to non-controlling interests in the consolidated income statement.

The limited partner interests associated with those limited partnerships that have a fixed term are recognised as non-current assets or non-current liabilities in the consolidated statements of financial position, and the related income or loss is recognised as the profit or loss attributable to the limited partners in the consolidated income statement.

The Group allocates partnership income between the general partner interests and the limited partner interests by using the waterfall calculation (the "**Waterfall**"), which are based on the terms agreed in the limited partnership agreements. Where there are losses or where the value of entity is lower than the initial investment, losses are allocated pro rata basis on the capital invested in the subsidiary. The allocation represent the change in the liquidation value of the subsidiary which is composed of the finance costs in form of distributions to the non GR Realty interests, income or expenses allocated to non-controlling interests (equity) and the residual movement year over year.

The ownership by a member of the relevant units shall entitle such member to allocations of net income, net loss and other items of income, gain, loss or deduction, and distributions of cash and other property of GR Realty for each fiscal year, in proportion to their respective distribution percentage interests, after repayment of loans made by the members or their affiliates to GR Realty and relevant tax payments.

For the year ended 31 December 2021, the loss allocated to the limited partners amounted to approximately HK\$185,991,000 (2020: loss allocated approximately HK\$149,948,000) and recognised as loss attributable to limited partners and puttable instrument holders in the consolidated income statements.

- (b) GR Realty has three authorised classes of units and the Class A units are owned by the Group and the Property Fund, Class B units are owned by the Property Fund and Garfield Group Partners LLC, and Class C units are owned by Rosemont Realty, LLC. As a result of the Agreement entered into by the Group and other members of GR Realty on 31 July 2020, the Group has obtained the control in GR Realty.

Each of the Class B members has an option to sell all or any portion of the Class B units to GR Realty, at the purchase price representing their fair value as determined by a qualified appraiser. Accordingly, the interests of Class B members with a put option are classified as current liabilities in the consolidated statement of financial position of the Group.

The fair value of interests of Class B members with a put option was approximately US\$17,826,000 (equivalent to approximately HK\$139,009,000) at 31 December 2021 (2020: approximately US\$19,415,000 (equivalent to approximately HK\$150,345,000)). The change in fair value of the interests of Class B members with a put option was approximately US\$51,000 (equivalent to approximately HK\$395,000) for the year ended 31 December 2021 (2020: approximately US\$4,812,000 (equivalent to approximately HK\$37,337,000)), and was included as loss attributable to limited partners and puttable instrument holders in the consolidated income statement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. SHARE CAPITAL

|                               | 2021               |                | 2020        |          |
|-------------------------------|--------------------|----------------|-------------|----------|
|                               | Number             | HK\$'000       | Number      | HK\$'000 |
| Ordinary shares               |                    |                |             |          |
| At the beginning of the year  | <b>635,570,000</b> | <b>371,191</b> | 451,390,000 | 185,453  |
| Allotment and issue of shares | –                  | –              | 180,556,000 | 180,556  |
| Exercised of share option     | –                  | –              | 3,624,000   | 5,182    |
| At the end of the year        | <b>635,570,000</b> | <b>371,191</b> | 635,570,000 | 371,191  |

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 year ended 31 December 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.

During the year ended 31 December 2020, the Company allotted and issued 3,624,000 ordinary shares of HK\$0.96 each under the share option scheme.

As at 31 December 2021, Grand Beauty and Estate Spring International Limited directly owned approximately 24.86% and 39.86% issued ordinary shares of the Company respectively. Grand Beauty is an indirect wholly-owned subsidiary of Sino-Ocean.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. RESERVES

### The Group

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

### The Company

|  | Convertible<br>preference<br>shares<br>reserves | Perpetual<br>bond | Capital<br>contribution<br>reserve | Capital<br>reduction<br>reserve | Share<br>options<br>reserve | Retained<br>profits | Total     |
|--|---|-------------------|------------------------------------|---------------------------------|-----------------------------|---------------------|-----------|
|  | HK\$'000  | HK\$'000          | HK\$'000                           | HK\$'000                        | HK\$'000                    | HK\$'000            | HK\$'000  |
| At 1 January 2020                                    | 2,355,533                                       | 2,259,504         | 308,190                            | -                               | 22,336                      | 839,729             | 5,785,292 |
| Distribution paid to the holder of<br>perpetual bond | -   | -                 | -                                  | -                               | -                           | (226)               | (226)     |
| Capital reduction (Note 33)                          | (94,968)  | -                 | -                                  | 94,968                          | -                           | -                   | -         |
| Transfer arising from capital<br>reduction (Note 33) | -   | -                 | -                                  | (94,968)                        | -                           | 94,968              | -         |
| Exercise of share option                             | -   | -                 | -                                  | -                               | (1,703)                     | -                   | (1,703)   |
| Vested share options forfeited/<br>cancelled         | -   | -                 | -                                  | -                               | (20,633)                    | 20,633              | -         |
| Profit for the year                                  | -   | -                 | -                                  | -                               | -                           | 412,185             | 412,185   |
| At 31 December 2020 and<br>1 January 2021            | 2,260,565                                       | 2,259,504         | 308,190                            | -                               | -                           | 1,367,289           | 6,195,548 |
| Distribution paid to the holder of<br>perpetual bond | -   | -                 | -                                  | -                               | -                           | (226)               | (226)     |
| Profit for the year                                  | -   | -                 | -                                  | -                               | -                           | 436,970             | 436,970   |
| At 31 December 2021                                  | 2,260,565                                       | 2,259,504         | 308,190                            | -                               | -                           | 1,804,033           | 6,632,292 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE PREFERENCE SHARES RESERVE

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CONVERTIBLE PREFERENCE SHARES RESERVE (Continued)

### Amendments

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. 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 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 (the "**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 (the "**Second Capital Reduction**").

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. 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 (the “**Third Capital Reduction**”)).

Following completion of the Third Capital Reduction, the credit in the amount of approximately HK\$94,948,000 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\$94,948,000 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. 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.

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

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

During the year ended 31 December 2021, the Company paid a distribution of perpetual bond to Grand Beauty amounted to approximately HK\$226,000 (2020: approximately HK\$226,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. DEFERRED TAXATION

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

|  | 2021            | 2020      |
|--|-----------------|-----------|
|  | HK\$'000        | HK\$'000  |
| At 1 January                                   | (76,878)        | 18,621    |
| Additions through consolidation of GR Realty   | –               | (180,737) |
| Charged/(credited) to profit or loss (Note 12) | 34,312          | 85,822    |
| Exchange realignment                           | (329)           | (584)     |
| At 31 December                                 | <b>(42,895)</b> | (76,878)  |

|   | Accelerated<br>tax<br>depreciation/<br>(depreciation<br>in excess<br>of related<br>depreciation<br>allowance) | Temporary<br>difference<br>on accrued<br>rental<br>income | Fair value<br>change of<br>investment<br>properties | Withholding<br>tax on<br>interest<br>income | Tax losses | Total     |
|---|---|---|---|---|------------|-----------|
|   | HK\$'000  | HK\$'000  | HK\$'000  | HK\$'000                                    | HK\$'000   | HK\$'000  |
| At 1 January 2020                                 | (3,667)   | –   | –   | 28,343                                      | (6,055)    | 18,621    |
| Additions through<br>consolidation of GR Realty   | (128)   | (2,885)   | 8,334   | –   | (186,058)  | (180,737) |
| Charged/(credited) to profit or<br>loss (Note 12) | 8,554   | (292)   | 2,731   | 7,843                                       | 66,986     | 85,822    |
| Exchange realignment                              | 9   | (1)   | –   | (468)                                       | (124)      | (584)     |
| At 31 December 2020 and<br>1 January 2021         | 4,768   | (3,178)   | 11,065  | 35,718                                      | (125,251)  | (76,878)  |
| Charged/(credited) to profit or<br>loss (Note 12) | 372   | 279   | (11,038)  | 7,180                                       | 37,519     | 34,312    |
| Exchange realignment                              | (502)   | (18)  | (27)  | 240   | (22)       | (329)     |
| At 31 December 2021                               | 4,638   | (2,917)   | –   | 43,138                                      | (87,754)   | (42,895)  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. DEFERRED TAXATION (Continued)

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

|                          | 2021            | 2020            |
|--------------------------|-----------------|-----------------|
|                          | HK\$'000        | HK\$'000        |
| Deferred tax assets      | (90,671)        | (128,429)       |
| Deferred tax liabilities | 47,776          | 51,551          |
|                          | <b>(42,895)</b> | <b>(76,878)</b> |

At the end of the reporting period, the Group had unused tax losses of approximately HK\$261,064,000 (2020: approximately HK\$258,874,000) available for offset against future profits. The tax losses are subject to the final assessment of Hong Kong Inland Revenue Department. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

No deferred tax liability has been recognised on temporary differences of approximately HK\$12,470,000 (equivalent to approximately RMB9,341,000) (2020: approximately HK\$12,434,000 (equivalent to approximately RMB9,319,000)) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such difference will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. LEASES LIABILITIES

|   | <b>Buildings</b> | <b>Ground<br/>lease</b> | <b>Furniture,<br/>fixture<br/>and<br/>equipment</b> | <b>Total</b>  |
|---|------------------|-------------------------|---|---------------|
|   | HK\$'000         | HK\$'000                | HK\$'000  | HK\$'000      |
| At 1 January 2020                               | 8,057            | –                       | 219   | 8,276         |
| Additions                                       | 13,250           | –                       | 913   | 14,163        |
| Additions through consolidation<br>of GR Realty | 13,225           | 102,600                 | 425   | 116,250       |
| Interest expenses (Note 10)                     | 1,272            | 2,130                   | 86  | 3,488         |
| Lease payment                                   | (9,051)          | (1,985)                 | (387)   | (11,423)      |
| Disposal of a subsidiary                        | –                | (7,615)                 | –   | (7,615)       |
| Effect of lease modification                    | –                | –                       | (91)  | (91)          |
| Exchange realignment                            | (61)             | (467)                   | (3)   | (531)         |
|   | <hr/>            | <hr/>                   | <hr/>   | <hr/>         |
| At 31 December 2020                             | 26,692           | 94,663                  | 1,162   | 122,517       |
| Additions                                       | 17,083           | –                       | 1,031   | 18,114        |
| Interest expenses (Note 10)                     | 1,272            | 4,144                   | 108   | 5,524         |
| Lease payment                                   | (12,204)         | (3,939)                 | (644)   | (16,787)      |
| Disposal of properties                          | –                | (40,666)                | –   | (40,666)      |
| Lease termination                               | (1,820)          | –                       | –   | (1,820)       |
| Exchange realignment                            | 142              | 417                     | (154)   | 405           |
|   | <hr/>            | <hr/>                   | <hr/>   | <hr/>         |
| At 31 December 2021                             | <u>31,165</u>    | <u>54,619</u>           | <u>1,503</u>  | <u>87,287</u> |

The Group has certain investment properties on the ground leases at 31 December 2021 and 2020. The terms of the Group's ground leases are typically over 20 years or more.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. LEASES LIABILITIES (Continued)

Future lease payments are due as follows:

|                                  | Minimum lease<br>payments | Interest       | Present<br>value |
|----------------------------------|---------------------------|----------------|------------------|
|                                  | HK\$'000                  | HK\$'000       | HK\$'000         |
| <b>As at 31 December 2021</b>    |                           |                |                  |
| Within 1 year                    | 17,958                    | 3,785          | 14,173           |
| After 1 year but within 2 years  | 15,412                    | 3,133          | 12,279           |
| After 2 years but within 5 years | 12,488                    | 5,327          | 7,161            |
| Over 5 years                     | 178,784                   | 125,110        | 53,674           |
|                                  | <b>224,642</b>            | <b>137,355</b> | <b>87,287</b>    |
| <b>As at 31 December 2020</b>    |                           |                |                  |
| Within 1 year                    | 15,391                    | 6,104          | 9,287            |
| After 1 year but within 2 years  | 12,694                    | 5,710          | 6,984            |
| After 2 years but within 5 years | 26,351                    | 15,509         | 10,842           |
| Over 5 years                     | 310,243                   | 214,839        | 95,404           |
|                                  | <b>364,679</b>            | <b>242,162</b> | <b>122,517</b>   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. LEASES LIABILITIES (Continued)

### Operating lease – the Group as lessor

Property rental income earned from leasing of the Group's investment properties during the year is disclosed in Notes 4 and 5. The properties held by the Group have committed tenants for the lease term ranging from two months to nine years (2020: 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:

|                                  | 2021             | 2020             |
|----------------------------------|------------------|------------------|
|                                  | HK\$'000         | HK\$'000         |
| Within one year                  | 950,605          | 1,119,036        |
| After 1 year but within 2 years  | 791,437          | 950,119          |
| After 2 years but within 3 years | 673,550          | 812,120          |
| After 3 years but within 4 years | 585,782          | 687,272          |
| After 4 years but within 5 years | 447,043          | 598,470          |
| After 5 years                    | 767,416          | 1,547,965        |
|                                  | <b>4,215,833</b> | <b>5,714,982</b> |

## 37. CAPITAL COMMITMENTS

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

|  | 2021     | 2020     |
|--|----------|----------|
|  | HK\$'000 | HK\$'000 |
| Properties under development (Note 23) | 263,435  | 208,028  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before income tax to net cash used in operations:

|  | 2021             | 2020      |
|--|------------------|-----------|
|  | HK\$'000         | HK\$'000  |
| Profit/(loss) before income tax  | <b>284,166</b>   | (137,456) |
| Adjustments for:   |                  |           |
| Depreciation   | <b>15,875</b>    | 10,137    |
| Changes in fair value of financial instruments held for trading                | <b>(28,883)</b>  | (58,403)  |
| Changes in fair value of financial assets at fair value through profit or loss | <b>(45,430)</b>  | (3,419)   |
| Changes in fair value of investment properties                                 | <b>150,799</b>   | 404,775   |
| Loss on re-measurement of interests in joint ventures                          | –                | 50,339    |
| Loss on disposal of fixed assets   | –                | 101       |
| Gain on effective settlement of loan receivables                               | –                | (60,787)  |
| Gain on disposal of investment properties                                      | <b>(36,175)</b>  | –         |
| Gain on disposal of a subsidiary   | –                | (1,253)   |
| Gain on interest rate swap contracts   | –                | (993)     |
| Provision for impairment loss for financial assets                             | <b>1,418</b>     | 5,636     |
| Share of results of joint ventures   | –                | 98,993    |
| Share of results of associates   | <b>(1,063)</b>   | 1,500     |
| Finance costs  | <b>419,329</b>   | 191,122   |
| Interest income  | <b>(7,966)</b>   | (19,623)  |
| Loss attributable to limited partners and puttable instrument holders          | <b>(186,386)</b> | (187,285) |
| Operating profits before working capital changes                               | <b>565,684</b>   | 293,384   |
| (Increase)/decrease in deposits, prepayments and other receivables             | <b>(141,792)</b> | 7,288     |
| Increase in properties under development                                       | <b>(288,584)</b> | (217,205) |
| Decrease/(increase) in restricted bank deposits                                | <b>146,730</b>   | (11,370)  |
| Decrease/(increase) in financial instruments held for trading                  | <b>246,149</b>   | (197,174) |
| (Decrease)/increase in other payables and accrued charges                      | <b>(130,904)</b> | 40,333    |
| Net cash generated from/(used in) operations                                   | <b>397,283</b>   | (84,744)  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities:

|  | Bank loans<br>and other<br>borrowings | Lease<br>liabilities | Amounts<br>due to<br>shareholders | Interest<br>payable | Interest<br>rate swap<br>contracts | Other<br>financial<br>liabilities | Total       |
|--|---------------------------------------|----------------------|-----------------------------------|---------------------|------------------------------------|-----------------------------------|-------------|
|  | HK\$'000                              | HK\$'000             | HK\$'000                          | HK\$'000            | HK\$'000                           | HK\$'000                          | HK\$'000    |
| At 1 January 2021  | 7,932,040                             | 122,517              | 1,380,301                         | 331,445             | 1,474                              | 526,008                           | 10,293,785  |
| Changes from cash flows:   |                                       |                      |                                   |                     |                                    |                                   |             |
| New bank borrowings  | 490,068                               | -                    | -                                 | -                   | -                                  | -                                 | 490,068     |
| Repayment of bank borrowings   | (1,320,222)                           | -                    | -                                 | -                   | -                                  | -                                 | (1,320,222) |
| Distribution paid to limited partner interests                       | -                                     | -                    | -                                 | -                   | -                                  | (48,056)                          | (48,056)    |
| Repayment of lease liabilities                                       | -                                     | (16,787)             | -                                 | -                   | -                                  | -                                 | (16,787)    |
| Interest paid  | -                                     | -                    | -                                 | (256,695)           | (1,474)                            | -                                 | (258,169)   |
| Decrease in amounts due to shareholders                              | -                                     | -                    | (58,078)                          | -                   | -                                  | -                                 | (58,078)    |
| Total changes from financing cash flows                              | (830,154)                             | (16,787)             | (58,078)                          | (256,695)           | (1,474)                            | (48,056)                          | (1,211,244) |
| Exchange realignment   | 44,593*                               | 405*                 | 4,090*                            | -                   | -                                  | 2,674*                            | 51,762      |
| Other changes:   |                                       |                      |                                   |                     |                                    |                                   |             |
| Recognition of lease liabilities                                     | -                                     | 18,114*              | -                                 | -                   | -                                  | -                                 | 18,114      |
| Disposal of properties   | -                                     | (40,666)*            | -                                 | -                   | -                                  | -                                 | (40,666)    |
| Lease termination  | -                                     | (1,820)*             | -                                 | -                   | -                                  | -                                 | (1,820)     |
| Loss attributable to limited partner and puttable instrument holders | -                                     | -                    | -                                 | -                   | -                                  | (72,859)*                         | (72,859)    |
| Finance charges on obligations under lease liabilities (Note 10)     | -                                     | 5,524*               | -                                 | -                   | -                                  | -                                 | 5,524       |
| Settled through disposal of investment properties #                  | (1,078,177)                           | -                    | -                                 | -                   | -                                  | -                                 | (1,078,177) |
| Interest on bank and other borrowings (Note 10)                      | -                                     | -                    | -                                 | 413,805*            | -                                  | -                                 | 413,805     |
| Total other changes  | (1,078,177)                           | (18,848)             | -                                 | 413,805             | -                                  | (72,859)                          | (756,079)   |
| At 31 December 2021  | 6,068,302                             | 87,287               | 1,326,313                         | 488,555             | -                                  | 407,767                           | 8,378,224   |

# Bank borrowings of HK\$1,078,177,000 were settled through the proceeds of disposal of investment properties directly during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

|   | Bank loans<br>and other<br>borrowings | Lease<br>liabilities | Amount<br>due to<br>shareholders | Interest<br>payable | Interest<br>rate swap<br>contracts | Other<br>financial<br>liabilities | Total      |
|---|---------------------------------------|----------------------|----------------------------------|---------------------|------------------------------------|-----------------------------------|------------|
|   | HK\$'000                              | HK\$'000             | HK\$'000                         | HK\$'000            | HK\$'000                           | HK\$'000                          | HK\$'000   |
| At 1 January 2020   | 664,304                               | 8,276                | 491,758                          | 425                 | —                                  | —                                 | 1,164,763  |
| Changes from cash flows:  |                                       |                      |                                  |                     |                                    |                                   |            |
| New bank borrowings   | 394,201                               | —                    | —                                | —                   | —                                  | —                                 | 394,201    |
| Repayment of bank borrowings  | (562,084)                             | —                    | —                                | —                   | —                                  | —                                 | (562,084)  |
| Distribution paid to limited partner interests                        | —                                     | —                    | —                                | —                   | —                                  | (3,135)                           | (3,135)    |
| Repayment of lease liabilities  | —                                     | (11,423)             | —                                | —                   | —                                  | —                                 | (11,423)   |
| Interest paid   | —                                     | —                    | —                                | (198,906)           | (1,676)                            | —                                 | (200,582)  |
| Total changes from financing cash flows                               | (167,883)                             | (11,423)             | —                                | (198,906)           | (1,676)                            | (3,135)                           | (383,023)  |
| Exchange realignment  | 2,768*                                | (531)*               | (2,708)*                         | 1,767*              | —                                  | 143*                              | 1,439      |
| Other changes:  |                                       |                      |                                  |                     |                                    |                                   |            |
| Consolidation of GR Realty  | 7,490,013*                            | 116,250*             | 891,251*                         | 331,445*            | 3,453*                             | 637,838*                          | 9,470,250  |
| Fair value adjustment   | —                                     | —                    | —                                | —                   | (1,979)*                           | —                                 | (1,979)    |
| Recognition of lease liabilities                                      | —                                     | 14,163*              | —                                | —                   | —                                  | —                                 | 14,163     |
| Effect of lease modification  | —                                     | (91)                 | —                                | —                   | —                                  | —                                 | (91)       |
| Disposal of a subsidiary  | (57,162)*                             | (7,615)*             | —                                | —                   | —                                  | —                                 | (64,777)   |
| Loss attributable to limited partners and puttable instrument holders | —                                     | —                    | —                                | —                   | —                                  | (108,838)*                        | (108,838)  |
| Finance charges on obligations under lease liabilities (Note 10)      | —                                     | 3,488*               | —                                | —                   | —                                  | —                                 | 3,488      |
| Interest on bank and other borrowings (Note 10)                       | —                                     | —                    | —                                | 196,714*            | 1,676*                             | —                                 | 198,390    |
| Total other changes   | 7,432,851                             | 126,195              | 891,251                          | 528,159             | 3,150                              | 529,000                           | 9,510,606  |
| At 31 December 2020   | 7,932,040                             | 122,517              | 1,380,301                        | 331,445             | 1,474                              | 526,008                           | 10,293,785 |

\* Non-cash transactions

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. RETIREMENT BENEFITS SCHEME

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

The Group maintains a retirement plan in the USA, pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation to the retirement plan, on a deferred basis, subject to limitations provided by the Internal Revenue Code.

During the year ended 31 December 2021, the retirement benefits cost charged to the consolidated income statement of HK\$2,236,000 (2020: HK\$1,753,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

During the years ended 31 December 2021 and 2020, the Group has no forfeiture of contributions under the defined contribution retirement plans (i.e. contributions processed by the employer on behalf of the employee who has left the defined contribution retirement plans prior to vesting fully in such contributions). As at 31 December 2021 and 2020, no forfeited contribution under the defined contribution retirement plans was available for the Group to reduce the existing level of contributions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/limited partners as at 31 December 2021 and 2020:

| Name of subsidiaries                              | Place of incorporation and principal place of business | Proportion of ownership interest and voting rights held by non-controlling interests/limited partners |      |
|---|--|---|------|
|   |  | 2021  | 2020 |
| GR Realty (Note (i))                              | The U.S.   | 54%   | 54%  |
| 600 Clipper Investment Partnership LP (Note (ii)) | The U.S.   | 80%   | 80%  |

Notes:

- (i) The ownership interest of GR Realty included certain Class A units not held by the Group, Class B units and Class C units. As detailed in the announcement issued by the Company dated 31 July 2020, the Group, through the revise provisions regarding proceedings of the Operating Committee in the operating agreement of GR Realty with other members of GR Realty, whereby the control in GR Realty was passed to the Group. Accordingly, it has been accounted for as acquisition of business using acquisition accounting under HKFRS 3.
- (ii) As the Group is the general partner of 600 Clipper Investment Partnership LP ("600 Clipper"), the Group is able to direct the relevant activities and achieves control of 600 Clipper.
- (iii) For the year ended 31 December 2021, profit and total comprehensive income allocated to non-controlling interests amounted to approximately HK\$246,726,000 (2020: loss of approximately HK\$200,000) were contributed by GR Realty of approximately HK \$233,425,000 (2020: loss of approximately HK\$34,130,000) and 600 Clipper of approximately HK\$13,301,000 (2020: approximately HK\$33,930,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information of certain non-controlling interests in GR Realty before intra-group eliminations is presented below:

|  | <b>For the year<br/>ended<br/>31 December<br/>2021</b> | For the period<br>from date of<br>consolidation<br>of GR<br>Realty to<br>31 December<br>2020 |
|--|--|--|
|  | <b>HK\$'000</b>  | HK\$'000   |
| Revenue  | <b>1,081,508</b>                                       | 491,775  |
| Profit/(loss) for the year   | <b>237,775</b>   | (95,683)   |
| Total comprehensive income   | <b>237,775</b>   | (95,683)   |
| Profit/(loss) and total comprehensive income allocated to non-controlling interests* | <b>233,425</b>   | (34,130)   |
| Dividends paid to non-controlling interests  | <b>120,187</b>   | 20,249   |
| Cash flows generated from operating activities                                       | <b>556,428</b>   | 271,546  |
| Cash flows generated from investing activities                                       | <b>546,737</b>   | 495,259  |
| Cash flows used in financing activities  | <b>(1,075,079)</b>                                     | (143,272)  |
| Net cash inflows   | <b>28,086</b>  | 623,533  |
|  | <b>2021</b>  | 2020   |
|  | <b>HK\$'000</b>  | HK\$'000   |
| <b>As at 31 December</b>   |  |  |
| Current assets   | <b>2,731,379</b>                                       | 1,680,075  |
| Non-current assets   | <b>7,286,593</b>                                       | 9,959,084  |
| Current liabilities  | <b>(3,538,087)</b>                                     | (3,001,571)  |
| Non-current liabilities  | <b>(4,568,592)</b>                                     | (6,853,456)  |
| Net assets   | <b>1,911,293</b>                                       | 1,784,132  |
| Accumulated non-controlling interests  | <b>1,591,662</b>                                       | 1,478,424  |

\* the profit/(loss) and total comprehensive income allocated to non-controlling interests included limited partner interests classified as non-controlling interests and excluded the loss attributable to Class B units are detailed in Note 30(b).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. NON-CONTROLLING INTERESTS (Continued)

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

|  | 2021      | 2020      |
|--|-----------|-----------|
|  | HK\$'000  | HK\$'000  |
| <b>For the year ended 31 December</b>  |           |           |
| Revenue  | 72,728    | 73,067    |
| Profit for the year  | 15,859    | 38,639    |
| Total comprehensive income   | 15,859    | 38,639    |
| Profit and total comprehensive income allocated to non-controlling interests | 13,301    | 33,930    |
| Dividends paid to non-controlling interests                                  | 19,499    | 18,754    |
| Cash flows generated from operating activities                               | 43,291    | 36,505    |
| Cash flows used in investing activities                                      | (433)     | (431)     |
| Cash flows used in financing activities                                      | (24,318)  | (23,444)  |
| Net cash inflows   | 18,540    | 12,630    |
| <b>As at 31 December</b>   |           |           |
| Current assets   | 62,758    | 48,800    |
| Non-current assets   | 734,336   | 734,016   |
| Current liabilities  | (3,877)   | (2,112)   |
| Non-current liabilities  | (423,431) | (420,961) |
| Net assets   | 369,786   | 359,743   |
| Accumulated non-controlling interests  | 309,740   | 315,938   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors (Note 13).

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

|   | 2021          | 2020     |
|---|---------------|----------|
|   | HK\$'000      | HK\$'000 |
| Transaction with a joint venture:       |               |          |
| – Asset management fee paid             | –             | 1,909    |
| – Building management fee paid          | –             | 195      |
| – Other loan interest income (Note (a)) | –             | (14,779) |
|   | –             | (12,675) |
| Transaction with a shareholder:         |               |          |
| – Interest expenses (Note (b))          | <b>44,854</b> | 18,772   |

Notes:

- (a) It represented the interest income derived from the loan receivables for the period from 1 January 2020 to the date of consolidation of GR Realty was approximately HK\$14,779,000.
- (b) As at 31 December 2021, as described in Note 28, amount due to a shareholder of US\$115,000,000 (equivalent to approximately HK\$896,770,000) (2020: US\$115,000,000 (equivalent to approximately HK\$891,538,000)) in aggregate with interest-bearing at rate of 4.25% (2020: 4.25%) per annum. The interest expenses incurred for the amount due to a shareholder for the year was approximately HK\$44,854,000 (the period from the date of consolidation of GR Realty to 31 December 2020: approximately HK\$18,772,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 42. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

|  |       | 2021             | 2020      |
|--|-------|------------------|-----------|
|  | Notes | HK\$'000         | HK\$'000  |
| <b>Non-current assets</b>                    |       |                  |           |
| Investments in subsidiaries                  | 43    | 2,195,655        | 2,190,797 |
| Amounts due from subsidiaries                |       | 4,059,270        | 3,722,946 |
|  |       | <b>6,254,925</b> | 5,913,743 |
| <b>Current assets</b>                        |       |                  |           |
| Deposits and prepayments                     |       | 792              | 762       |
| Amounts due from subsidiaries                |       | 1,185,733        | 1,152,919 |
| Amount due from associate                    |       | 25               | –         |
| Cash and bank balances                       |       | 6,793            | 8,345     |
|  |       | <b>1,193,343</b> | 1,162,026 |
| <b>Current liabilities</b>                   |       |                  |           |
| Other payables and accrued charges           |       | 5,532            | 7,220     |
| Amount due to a shareholder                  |       | 429,543          | 494,131   |
| Amounts due to subsidiaries                  |       | 9,710            | 7,679     |
|  |       | <b>444,785</b>   | 509,030   |
| <b>Net current assets</b>                    |       | <b>748,558</b>   | 652,996   |
| <b>Total assets less current liabilities</b> |       | <b>7,003,483</b> | 6,566,739 |
| <b>Capital and reserves</b>                  |       |                  |           |
| Share capital                                | 31    | 371,191          | 371,191   |
| Reserves                                     | 32    | 6,632,292        | 6,195,548 |
| <b>Total equity</b>                          |       | <b>7,003,483</b> | 6,566,739 |

On behalf of the directors

**Sum Pui Ying**  
Director

**Lai Kwok Hung, Alex**  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 43. INVESTMENTS IN SUBSIDIARIES

|                                    | The Company      |                  |
|------------------------------------|------------------|------------------|
|                                    | 2021             | 2020             |
|                                    | HK\$'000         | HK\$'000         |
| Unlisted shares, at cost           | 3,113            | 3,113            |
| Deemed capital contribution (Note) | 2,192,542        | 2,187,684        |
|                                    | <b>2,195,655</b> | <b>2,190,797</b> |

Note:

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

In the opinion of the directors, based on their assessment as at 31 December 2021 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK\$4,059,270,000 (2020: HK\$3,722,946,000) will not be recovered within one year from the end of the reporting period, accordingly, these amounts are classified as non-current. During the year ended 31 December 2021, the principal amounts due from subsidiaries have been adjusted to their fair value with a corresponding increase of HK\$2,192,542,000 (2020: HK\$2,187,684,000) in investments in subsidiaries. These are regarded as deemed contribution by the Company to these subsidiaries. The effective interest rate on the amounts due from subsidiaries ranged at 2.26% to 12.51% (2020: 2.26% to 12.51%) per annum, representing the borrowing rates of the relevant subsidiaries.

The following is a list of the subsidiaries as at 31 December 2021 and 2020 which in the opinion of the directors, materially affect the results on assets of the Group:

| Name of subsidiaries                      | Place of incorporation/ registration | Principal place of operation | Issued/registered and fully paid capital | Percentage of issued/ registered capital held by the Group |      | Principal activities |
|---|--------------------------------------|------------------------------|--|--|------|----------------------|
|   |                                      |                              |  | 2021   | 2020 |                      |
|   |                                      |                              |  | %  | %    |                      |
| 112th@Bellevue Operating LLC <sup>^</sup> | The U.S.                             | The U.S.                     | US\$101,978,000                          | 9  | 9    | Property investment  |
| 171 North First Street LLC <sup>^</sup>   | The U.S.                             | The U.S.                     | US\$24,504,000                           | 18   | 18   | Property development |
| 531-539 Sixth Avenue LLC                  | The U.S.                             | The U.S.                     | US\$106,353,000                          | 100  | 100  | Property investment  |
| 600 Clipper Operating LLC <sup>^</sup>    | The U.S.                             | The U.S.                     | US\$91,666,000                           | 20   | 20   | Property investment  |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 43. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of subsidiaries                            | Place of incorporation/<br>registration | Principal place of operation | Issued/registered and fully paid capital | Percentage of issued/registered capital held by the Group |           | Principal activities              |
|---|---|------------------------------|--|---|-----------|-----------------------------------|
|   |   |                              |  | 2021<br>%   | 2020<br>% |                                   |
| Bai Li Investments Limited                      | BVI                                     | Hong Kong                    | US\$1                                    | 100   | 100       | Investment holding                |
| Billion Thrive Limited                          | BVI/Hong Kong                           | Hong Kong                    | US\$1                                    | 100   | 100       | Property investment               |
| Central Tech Park Operating LLC <sup>^</sup>    | The U.S.                                | The U.S.                     | US\$81,000,000                           | 46  | 46        | Property investment               |
| Dawn City Global II LLC                         | The U.S.                                | The U.S.                     | US\$12,094,000                           | 100   | 100       | Property investment               |
| Diamond Hill Operating LLC <sup>^</sup>         | The U.S.                                | The U.S.                     | US\$4,200,000                            | 23  | 23        | Property investment               |
| Fame Gate Developments Limited                  | BVI                                     | Hong Kong                    | US\$1                                    | 100   | 100       | Investment holding                |
| Gemini Investment (HK) Limited                  | Hong Kong                               | Hong Kong                    | HK\$2                                    | 100*  | 100*      | Securities investment and trading |
| Gemini-Rosemont Realty LLC                      | The U.S.                                | The U.S.                     | US\$129,884,000                          | 46  | 46        | Investment holding                |
| Glorious Field Investments Limited              | BVI                                     | Hong Kong & The U.S.         | US\$1                                    | 100   | 100       | Investment holding                |
| Jian Feng Holdings Limited                      | BVI/Hong Kong                           | Hong Kong                    | US\$1                                    | 100   | 100       | Property investment               |
| Precise Bloom Limited                           | BVI/Hong Kong                           | Hong Kong                    | US\$1                                    | 100   | 100       | Property investment               |
| Rosemont Dulles View Operating LLC <sup>^</sup> | The U.S.                                | The U.S.                     | US\$0                                    | 38  | 38        | Property investment               |
| Rosemont Federal Operating LLC <sup>^</sup>     | The U.S.                                | The U.S.                     | US\$13,117,000                           | 13  | 13        | Property investment               |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 43. INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of subsidiaries                           | Place of incorporation/<br>registration | Principal place of operation | Issued/registered and fully paid capital | Percentage of issued/<br>registered capital held by<br>the Group |           | Principal activities |
|--|---|------------------------------|--|--|-----------|----------------------|
|  |   |                              |  | 2021<br>%  | 2020<br>% |                      |
| Rosemont Lakeview Operating LLC <sup>^</sup>   | The U.S.                                | The U.S.                     | US\$12,000,000                           | 38   | 38        | Property investment  |
| Rosemont Summit Operating LLC <sup>^</sup>     | The U.S.                                | The U.S.                     | US\$16,731,000                           | 29   | 29        | Property investment  |
| Rosemont Warren One Operating LLC <sup>^</sup> | The U.S.                                | The U.S.                     | US\$17,295,000                           | 13   | 13        | Property investment  |
| Rosemont Warren Two Operating LLC <sup>^</sup> | The U.S.                                | The U.S.                     | US\$17,295,000                           | 13   | 13        | Property investment  |
| Second and Second Property LLC <sup>^</sup>    | The U.S.                                | The U.S.                     | US\$67,446,000                           | 18   | 18        | Property development |
| Southcourt Operating LLC                       | The U.S.                                | The U.S.                     | US\$16,388,000                           | 100  | 100       | Property investment  |
| Sunray City Investments Limited                | BVI                                     | Hong Kong                    | US\$1                                    | 100  | 100       | Investment holding   |
| Swift Boom Investments Limited                 | BVI                                     | Hong Kong                    | US\$1                                    | 100  | 100       | Investment holding   |
| Talent Elite Holdings Limited                  | BVI/Hong Kong                           | Hong Kong                    | US\$1                                    | 100  | 100       | Property Investment  |
| Ultimate Ventures Holdings Limited             | BVI/Hong Kong                           | Hong Kong                    | US\$1                                    | 100  | 100       | Property investment  |

<sup>^</sup> The percentage of issued/registered capital represented the effective proportion of ownership interest of the noted entities. As the Group is the general partner of the noted entities or the holding company of the noted entities, which it has decision making power in relation to the operation, management and control of its business. Also, the Group would expose to significant variable returns from returns on its ownership interest held, and management fees and performance return as the returns of the general partner. Thus, The Group is able to direct the relevant activities and achieves control of the noted entities.

\* Directly held by the Company

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of total equity attributable to owners of the Company, comprising issued share capital and reserves.

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

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

The total equity to total assets ratio of the Group at the end of the reporting period was as follows:

|  | 2021              | 2020       |
|--|-------------------|------------|
|  | HK\$'000          | HK\$'000   |
| Total equity attributable to owners of the Company | <b>5,406,016</b>  | 5,392,323  |
| Total assets                                       | <b>16,022,667</b> | 17,955,521 |
| Total equity to total assets ratio                 | <b>0.34:1</b>     | 0.30:1     |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT

### (a) Categories of financial instruments

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

|   | 2021             | 2020       |
|---|------------------|------------|
|   | HK\$'000         | HK\$'000   |
| Financial assets  |                  |            |
| At fair value through profit or loss                    |                  |            |
| – Financial assets at fair value through profit or loss | <b>1,958,982</b> | 2,161,047  |
| – Limited partner interests                             | <b>536,572</b>   | 420,191    |
| – Financial instruments held for trading                | <b>324,597</b>   | 545,854    |
| At amortised cost                                       |                  |            |
| – Deposits and other receivables                        | <b>552,639</b>   | 162,408    |
| – Cash and bank balances                                | <b>824,947</b>   | 1,162,189  |
| – Restricted bank deposits                              | <b>163,603</b>   | 310,333    |
|   | <b>4,361,340</b> | 4,762,022  |
| Financial liabilities at amortised cost                 |                  |            |
| At fair value through profit or loss                    |                  |            |
| – Limited partner interests                             | <b>268,758</b>   | 375,663    |
| – Interest of Class B members with put option           | <b>139,009</b>   | 150,345    |
| – Financial instruments held for trading                | –                | 5,465      |
| At amortised cost                                       |                  |            |
| – Other payables and accrued charges                    | <b>723,194</b>   | 710,126    |
| – Amounts due to shareholders                           | <b>1,326,313</b> | 1,380,301  |
| – Bank borrowings and notes payable                     | <b>6,068,302</b> | 7,932,040  |
| – Lease liabilities                                     | <b>87,287</b>    | 122,517    |
|   | <b>8,612,863</b> | 10,676,457 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (b) Financial risk management objectives and policies

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

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

### (c) Foreign currency risk management

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

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

|                           | Assets   |          | Liabilities |          |
|---------------------------|----------|----------|-------------|----------|
|                           | 2021     | 2020     | 2021        | 2020     |
|                           | HK\$'000 | HK\$'000 | HK\$'000    | HK\$'000 |
| US\$                      | 219,790  | 543,571  | 263,631     | 41,977   |
| RMB                       | 10,992   | 92,852   | –           | –        |
| Japanese Yen ("JPY")      | 22,190   | 60,984   | –           | –        |
| Australian Dollar ("A\$") | 46       | 491      | –           | –        |
| Euro ("EUR")              | 63,347   | 39,326   | –           | –        |
|                           | 316,365  | 737,224  | 263,631     | 41,977   |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (Continued)

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

#### Foreign currency sensitivity

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

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

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

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates over the next reporting period. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive/(negative) numbers represented a decrease/(an increase) in loss in 2021 and an decrease/(an increase) in loss in 2020.

|                  | 2021  |                                | 2020  |                                |
|------------------|---|--------------------------------|---|--------------------------------|
|                  | Increase/<br>(decrease)<br>in foreign<br>exchange<br>rate | Effect<br>on profit<br>or loss | Increase/<br>(decrease)<br>in foreign<br>exchange<br>rate | Effect<br>on profit<br>or loss |
|                  | HK\$'000  |                                | HK\$'000  |                                |
| RMB against HK\$ | 10%   | 1,099                          | 10%   | 9,285                          |
|                  | (10%)   | (1,099)                        | (10%)   | (9,285)                        |
| JPY against HK\$ | 10%   | 2,219                          | 10%   | 6,098                          |
|                  | (10%)   | (2,219)                        | (10%)   | (6,098)                        |
| A\$ against HK\$ | 10%   | 5                              | 10%   | 49                             |
|                  | (10%)   | (5)                            | (10%)   | (49)                           |
| EUR against HK\$ | 10%   | 6,335                          | 10%   | 3,933                          |
|                  | (10%)   | (6,335)                        | (10%)   | (3,933)                        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (d) Interest rate risk management

The Group's bank borrowings as disclosed in Note 29 was issued at variable rates and fixed rates which expose the Group to cash flow interest-rate risk and fair value interest-rate risk for the bank borrowings respectively. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 29 to the consolidated financial statements.

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

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

#### ***Interest rate sensitivity***

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

If interest rates of borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's results for the year ended 31 December 2021 would decrease/increase by HK\$1,297,000 (2020: HK\$6,695,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from instruments held by the Group at the end of the reporting period, the impact on the group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (e) Other price risks

The Group is exposed to price risk through its financial assets at fair value through profit or loss measured at fair value (Note 21) and the financial instruments held for trading (Note 24), comprising listed equity securities and derivatives measured at fair value at the end of the reporting period.

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

#### ***Price sensitivity***

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

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

If the prices of the listed equity securities held in the portfolio of financial assets at fair value through profit or loss had been 10% higher/lower, the Group's results for the year ended 31 December 2021 would increase/decrease by HK\$36,162,000 (2020: HK\$40,690,000) as a result of the changes in fair value of listed equity securities held in the portfolio of financial assets at fair value through profit or loss.

If the prices of the respective equity securities that are indexed to equity prices had been 10% higher/lower, the Group's results for the year ended 31 December 2021 would increase/decrease by HK\$32,460,000 (2020: HK\$54,039,000) as a result of the changes in fair value of financial instruments held-for-trading.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (f) Credit risk management

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

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

As at 31 December 2021, the Group had certain concentration of credit risk as approximately 31.4% (2020: approximately 46%) of the Group's rental receivables were due from the Group's one tenant.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (f) Credit risk management (*Continued*)

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

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations.
- Actual or expected significant changes in the operating results of the debtors.
- Significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the Group.
- Actual or expected significant adverse change in the regulatory, economic, or technological environment in which the debtors operates that results in a significant change in the customer's ability to meet its debt obligations.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (f) Credit risk management (*Continued*)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (f) Credit risk management (*Continued*)

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

|   | 2021     | 2020     |
|---|----------|----------|
|   | HK\$'000 | HK\$'000 |
| Expected loss rate  | 2.3%     | 3.4%     |
| Gross carrying amount of rental and other related receivables, not yet past due | 117,035  | 168,198  |
| Loss allowance  | 2,692    | 5,790    |

In respect of receivables of fund redemptions, which was arising from redemption of the Participating Shares and the participating redeemable preference shares in the Sub-Fund A totalled approximately HK\$247,495,000 (Note 22), the Group considered that the credit risk is immaterial as the counterparties have a low risk of default. The Group assessed that the loss allowance of ECLs for the balance is immaterial under the 12 months ECLs. Accordingly, no loss allowance was recognised as at 31 December 2021.

For all other receivables, the Group measures loss allowance at an amount equal to 12 months ECLs, which is calculated by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The ECLs also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle these receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (f) Credit risk management (*Continued*)

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

|   | <b>Rental and<br/>other related<br/>receivables</b> | <b>Other<br/>receivables</b> | <b>Total</b> |
|---|---|------------------------------|--------------|
|   | HK\$'000  | HK\$'000                     | HK\$'000     |
| Balance at 1 January 2020   | 171   | –                            | 171          |
| Written-off   | (17)  | –                            | (17)         |
| Provision for impairment losses recognised<br>during the year               | 5,636   | –                            | 5,636        |
| Balance at 31 December 2020 and<br>1 January 2021                           | 5,790   | –                            | 5,790        |
| (Reversal of)/provision for impairment<br>losses recognised during the year | (3,098)   | 4,516                        | 1,418        |
| Balance at 31 December 2021   | 2,692   | 4,516                        | 7,208        |

The following changes in the gross earning amounts of the above receivables contributed to the decrease/increase in the loss allowance:

- decrease in rental and other related receivables resulted in a reversal of loss allowance of HK\$3,098,000
- Origination of new other receivables net of those settled resulted in an increase in loss allowance of HK\$4,516,000.

The Group does not provide any guarantees which would expose the Group to credit risk during the years ended 31 December 2021 and 2020.

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

### (g) Liquidity risk management

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Liquidity risk management (Continued)

#### Liquidity information

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

|                                    | Effective interest rate | Repayable on demand or |                |                    |                  | Total undiscounted cash flows | Carrying amount   |
|------------------------------------|-------------------------|------------------------|----------------|--------------------|------------------|-------------------------------|-------------------|
|                                    |                         | less than 1 month      | 1 – 3 months   | 3 months to 1 year | Over 1 year      |                               |                   |
|                                    | %                       | HK\$'000               | HK\$'000       | HK\$'000           | HK\$'000         | HK\$'000                      | HK\$'000          |
| <b>31 December 2021</b>            |                         |                        |                |                    |                  |                               |                   |
| Other payables and accrued charges |                         | 5,353                  | 699,868        | 33,462             | -                | 738,683                       | 738,683           |
| Amounts due to shareholders        |                         | 429,543                | -              | -                  | 946,055          | 1,375,598                     | 1,326,313         |
| Borrowings                         | 3.42%–12.78%            | 1,663                  | 75,481         | 1,962,046          | 5,044,584        | 7,083,774                     | 6,068,302         |
| Lease liabilities                  | 4.78%                   | 548                    | 4,057          | 13,353             | 206,684          | 224,642                       | 87,287            |
|                                    |                         | <b>437,107</b>         | <b>779,406</b> | <b>2,008,861</b>   | <b>6,197,323</b> | <b>9,422,697</b>              | <b>8,220,585</b>  |
| <b>31 December 2020</b>            |                         |                        |                |                    |                  |                               |                   |
| Other payables and accrued charges |                         | 9,215                  | 661,840        | 36,121             | 2,969            | 710,145                       | 710,126           |
| Amounts due to shareholders        |                         | 488,763                | -              | -                  | 1,060,838        | 1,549,601                     | 1,380,301         |
| Borrowings                         | 4.01%–13.03%            | 1,347                  | 235,014        | 2,423,772          | 7,096,450        | 9,756,583                     | 7,932,040         |
| Lease liabilities                  | 5.06%                   | 396                    | 3,706          | 11,289             | 349,288          | 364,679                       | 122,517           |
|                                    |                         | <b>499,721</b>         | <b>900,560</b> | <b>2,471,182</b>   | <b>8,509,545</b> | <b>12,381,008</b>             | <b>10,144,984</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

### (h) Fair value of financial instruments

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|  | Level 1        | Level 2        | Level 3          | Total            |
|--|----------------|----------------|------------------|------------------|
|  | HK\$000        | HK\$000        | HK\$000          | HK\$000          |
| <b>As at 31 December 2021</b>                              |                |                |                  |                  |
| Financial assets at fair value through profit or loss      |                |                |                  |                  |
| – Unlisted equity investments (Note (i))                   | –              | –              | 82               | 82               |
| – Others (Note (ii))                                       | –              | –              | 6,810            | 6,810            |
| – Unlisted fund investments (Notes (i), (ii) and (iii))    | –              | 279,028        | 1,673,062        | 1,952,090        |
| – Financial instruments held for trading (Note (ii))       | 324,597        | –              | –                | 324,597          |
| – Limited partner interests (Note (iv))                    | –              | –              | 536,572          | 536,572          |
|  | <b>324,597</b> | <b>279,028</b> | <b>2,216,526</b> | <b>2,820,151</b> |
| Financial liabilities at fair value through profit or loss |                |                |                  |                  |
| – Interests of Class B members with put Option (Note (iv)) | –              | –              | 139,009          | 139,009          |
| – Limited partner interests (Note (iv))                    | –              | –              | 268,758          | 268,758          |
|  | –              | –              | <b>407,767</b>   | <b>407,767</b>   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (Continued)

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

|  | Level 1 | Level 2 | Level 3   | Total     |
|--|---------|---------|-----------|-----------|
|  | HK\$000 | HK\$000 | HK\$000   | HK\$000   |
| As at 31 December 2020                                     |         |         |           |           |
| Financial assets at fair value through profit or loss      |         |         |           |           |
| – Unlisted equity investments (Note (i))                   | –       | –       | 71        | 71        |
| – Others (Note (i))  | –       | –       | 6,110     | 6,110     |
| – Unlisted fund investments (Notes (i), (ii) and (iii))    | –       | 499,636 | 1,655,230 | 2,154,866 |
| – Financial instruments held for trading (Note (ii))       | 545,854 | –       | –         | 545,854   |
| – Limited partner interests (Note (iv))                    | –       | –       | 420,191   | 420,191   |
|  | 545,854 | 499,636 | 2,081,602 | 3,127,092 |
| Financial liabilities at fair value through profit or loss |         |         |           |           |
| – Forward exchange contracts and futures contracts         | 3,991   | –       | –         | 3,991     |
| – Interest rate swap contracts                             | –       | 1,474   | –         | 1,474     |
| – Interests of Class B members with put option (Note (iv)) | –       | –       | 150,345   | 150,345   |
| – Limited partner interests (Note (iv))                    | –       | –       | 375,663   | 375,663   |
|  | 3,991   | 1,474   | 526,008   | 531,473   |

During the years ended 31 December 2021 and 2020, 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 to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

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

Notes:

- (i) The fair values of unlisted equity investments, others and certain unlisted fund investments have been determined by BMI Appraisals, the independent qualified valuer which are level 3 fair value measurement. The movement these financial instruments is as follows:

|  | 2021      | 2020      |
|--|-----------|-----------|
|  | HK\$'000  | HK\$'000  |
| At the beginning of year                       | 1,661,411 | 1,800,471 |
| Return of capital                              | –         | (63,726)  |
| Fair value change recognised in profit or loss | 18,543    | (75,334)  |
| At the end of year                             | 1,679,954 | 1,661,411 |

- (ii) Fair value measurements recognised in the statement of financial position.

Certain financial assets at fair value through profit or loss and the financial instruments held for trading are measured subsequent to initial recognition at fair value, grouped into Level 2 and Level 1 respectively based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of those financial assets at fair value through profit or loss (Notes 21(c)(i), (ii) and (iii)) in Level 2 is the share of the net assets value of the funds at the end of the reporting period, taking into account the quoted price of the listed equity securities held by the funds.

As at 31 December 2021, the fair values of financial assets at fair value through profit or loss grouped into level 2 and financial instruments held for trading are HK\$279,028,000 (2020: HK\$499,636,000) and HK\$324,597,000 (2020: HK\$545,854,000) respectively.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

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

Notes: (*Continued*)

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

|   | Valuation technique  | Significant unobservable inputs  | Range/ value | Sensitivity of fair value to the input  |
|---|----------------------|--|--------------|---|
| Unlisted equity and fund investments which principally invested in residential and commercial real estate | Asset-based approach | Discount/premium of quality of properties (e.g. view, level, size and condition of the properties)           | -6% – 6%     | Had the discount decreased by 10%, the fair value would have increased by approximately HK\$17,583,000. Had the discount increased by 10%, the fair value would have decreased by approximately HK\$17,583,000. |
| Unlisted equity and fund investments which invests in real estate project                                 | Asset-based approach | Discount/premium of quality of properties (e.g. location, view, size, condition and time of the properties). | -25% – 25%   | Had the discount decreased by 10%, the fair value would have increased by approximately HK\$81,158,000. Had the discount increased by 10%, the fair value would have decreased by approximately HK\$81,158,000. |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. FINANCIAL RISK MANAGEMENT (*Continued*)

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

Notes: (*Continued*)

- (iv) The fair value of interest of Class B members with put option within Level 3 is determined by assets based approach. The fair value of it is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the Class B is interested.

The fair value of limited partner interests within Level 3 is determined by assets based approach. The fair value of it is calculated principally by reference to the estimated fair value of the portion of the underlying investment property in which the owner of the limited partnership is interested.

The investment property's fair value is itself subject to a number of unobservable inputs as disclosed Note 17, including the discount rate and the terminal capitalisation rate.

The fair values of interest of Class B members with put option and limited partner interests are level 3 fair value measurement. The movement of these financial instruments is as follows:

|   | 2021      | 2020      |
|---|-----------|-----------|
|   | HK\$'000  | HK\$'000  |
| At the beginning of year  | (105,817) | –         |
| Additions through consolidation of GR Realty                          | –         | (289,642) |
| Settlement of limited partner interests and puttable instrument       | 48,056    | (3,211)   |
| Loss attributable to limited partners and puttable instrument holders | 186,386   | 187,285   |
| Exchange realignment  | 180       | (249)     |
| At the end of year  | 128,805   | (105,817) |

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- (a) As described in Notes 3(e) and 17, investment properties are stated at fair value based on the valuation performed by an independent professional valuer and a dedicated valuation team reporting to management. In determining the fair value, the valuer and valuation team has based on methods of valuation which involves estimates in market rental, discount rate, premium or discount for quality of properties and terminal capitalisation rate. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.
- (b) The ECLs for rental and other receivables are based on the assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's assessment on debtors' payment history and current and future ability for payment taking into account the information specific to the debtors as well as pertaining to the current and future general economic environment in which the debtors operated. Details of management's credit risk assessment are disclosed in Note 45(f).
- (c) The Group estimates the fair value of financial assets using the valuation performed by an independent professional valuer. In determining the fair value, the valuer based on a method of valuation which involves estimates in market return, market risk, interest rates and exchange rates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market condition.
- (d) Management determines the net realisable value of properties under development by using prevailing market data such as most recent sale transactions and market valuation reports available from independent qualified professional valuers. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market conditions existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

## Details of Major Investment Properties

| Investment property and address   | Lot Number  | Use         | Total gross floor area (Approx. square feet) | Our Group's interest % | Government lease expiry/Freehold                |
|---|---|-------------|--|------------------------|---|
| Units 2310 to 2312 on 23rd Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong   | Certain parts or shares of and in Inland Lot No. 8615 | Office      | 3,000  | 100%                   | 2059 (renewable for a further term of 75 years) |
| Unit 3701 on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong  | Certain parts or shares of and in Inland Lot No. 8615 | Office      | 2,000  | 100%                   | 2059 (renewable for a further term of 75 years) |
| Unit 3702A on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong   | Certain parts or shares of and in Inland Lot No. 8615 | Office      | 1,000  | 100%                   | 2059 (renewable for a further term of 75 years) |
| Unit 3604B on 36th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong   | Certain parts or shares of and in Inland Lot No. 8615 | Office      | 2,000  | 100%                   | 2059 (renewable for a further term of 75 years) |
| Unit Nos. 2119-2120 on 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong                                   | Certain parts or shares of and in Inland Lot No. 8517 | Office      | 3,000  | 100%                   | 2055 (renewable for a further term of 75 years) |
| Unit Nos. 2704-2705 on 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong  | Certain parts or shares of and in Inland Lot No. 8517 | Office      | 4,000  | 100%                   | 2055 (renewable for a further term of 75 years) |
| Units 16G, 20A, 20B, 21D, 25G, 26C, 26G, 28D, 29C, 30D, 31F, 32F, 32G, 33E, 34B, 34G, 35C, 35E, 37C, 15 William Street, Manhattan, New York 10004, the U.S. | N/A   | Residential | 17,000                                       | 100%                   | Freehold  |
| 500 and 600 Clipper Drive, Belmont, California 94002, the U.S.  | N/A   | Office      | 159,000                                      | 20%                    | Freehold  |
| 3211 Shannon Road, Durham, North Carolina, the U.S.   | N/A   | Office      | 145,950                                      | 100%                   | Freehold  |
| 1100, 1110, 1120, 112th Avenue, Bellevue, Washington 98004, the U.S.  | N/A   | Office      | 482,000                                      | 9%                     | Freehold  |
| 2420-2490 West 26th Avenue, Denver, Colorado 80211, the U.S.  | N/A   | Office      | 374,000                                      | 23%                    | Freehold  |
| 3380-3420 Central Expressway, Santa Clara, California 95051, the U.S.   | N/A   | Office      | 369,000                                      | 46%                    | Freehold  |
| 2551 & 2553 Dulles View Drive, Herndon, Virginia 20171, the U.S.  | N/A   | Office      | 360,000                                      | 38%                    | Freehold  |
| 15, 22 & 25 Century Boulevard, Nashville, Tennessee 37214, the U.S.   | N/A   | Office      | 382,000                                      | 38%                    | Freehold  |

## Details of Major Investment Properties

| Investment property and address   | Lot Number | Use             | Total gross floor area (Approx. square feet) | Our Group's interest % | Government lease expiry/Freehold   |
|---|------------|-----------------|--|------------------------|--|
| 6100 & 6120 South Yale Avenue, Tulsa, Oklahoma 74136, the U.S.                  | N/A        | Office          | 960,000                                      | 13%                    | Held under leasehold interest for terms expiring on 30 April 2094 (re: One Warren Place) and 10 December 2083 (re: Two Warren Place) |
| 610 West Ash Street, San Diego, California 92101, the U.S.                      | N/A        | Office          | 177,000                                      | 9%                     | Freehold   |
| 12000 Aerospace Avenue, Houston, Texas 77034, the U.S.                          | N/A        | Office          | 80,000                                       | 18%                    | Held under leasehold interest for a term expiring on 22 August 2027 with two opinions to extend for 20 years each                    |
| 1401 North Turner Street, Hobbs, Lea County, New Mexico 88240, the U.S.         | N/A        | Shopping center | 120,000                                      | 46%                    | Freehold   |
| 320 Gold Avenue SW, Albuquerque, New Mexico 87102, the U.S.                     | N/A        | Office          | 107,000                                      | 23%                    | Freehold   |
| 2455 Northeast Loop 410, San Antonio, Texas 78217, the U.S.                     | N/A        | Office          | 109,000                                      | 0%                     | Freehold   |
| 11767 Katy Freeway, Houston, Texas 77079, the U.S.                              | N/A        | Office          | 227,000                                      | 18%                    | Freehold   |
| 11757 Katy Freeway, Houston, Texas 77079, the U.S.                              | N/A        | Office          | 286,000                                      | 2%                     | Freehold   |
| 1235 North Loop West, Houston, Texas 77008, the U.S.                            | N/A        | Office          | 221,000                                      | 0%                     | Freehold   |
| 16414 San Pedro Avenue, San Antonio, Texas 78232, the U.S.                      | N/A        | Office          | 141,000                                      | 13%                    | Freehold   |
| 545 East John Carpenter Freeway, Dallas, Texas 75062, the U.S.                  | N/A        | Office          | 376,000                                      | 29%                    | Freehold   |
| 1610 Woodstead Court & 10200 Grogan's Mill Road, Houston, Texas 77380, the U.S. | N/A        | Office          | 153,000                                      | 18%                    | Freehold   |

## Details of Properties Under Development

| Address   | Lot Number | Use                                | Approx. site area (square feet) | Estimated development          |      | Our Group's interest % | Government lease expiry/ Freehold | Stage of completion | Estimated completion date |
|---|------------|------------------------------------|---------------------------------|--------------------------------|------|------------------------|-----------------------------------|---------------------|---------------------------|
|   |            |                                    |                                 | gross floor area (square feet) |      |                        |                                   |                     |                           |
| 531-537 & 539 Avenue of the Americas, Manhattan, New York 10011, the U.S. | N/A        | Mixed-used residential development | 8,000                           | 82,000                         | 100% | Freehold               | Construction/ interior finishes   | 2022                |                           |
| 167-171 North First Street, Brooklyn, New York 11211, the U.S.            | N/A        | Residential development            | 14,000                          | 78,000                         | 18%  | Freehold               | Demolition                        | 2023                |                           |
| 38, 42-48 Second Avenue, Manhattan, New York 10003, the U.S.              | N/A        | Mixed-used residential development | 14,000                          | 137,000                        | 18%  | Freehold               | Planning stage                    | 2025                |                           |

# Five-Year Financial Summary

## CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December,

|   | 2017     | 2018     | 2019     | 2020      | 2021             |
|---|----------|----------|----------|-----------|------------------|
|   | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000  | HK\$'000         |
| Revenue                                     | 55,565   | 189,815  | 115,499  | 603,856   | <b>1,227,106</b> |
| (Loss)/profit before taxation               | (72,341) | 43,397   | (52,648) | (137,456) | <b>284,166</b>   |
| Taxation                                    | (14,677) | (12,664) | 687      | (95,780)  | <b>(45,551)</b>  |
| (Loss)/profit for the year                  | (87,018) | 30,733   | (51,961) | (233,236) | <b>238,615</b>   |
| (Loss)/profit for the year attributable to: |          |          |          |           |                  |
| Owners of the Company                       | (87,018) | 12,229   | (94,713) | (233,036) | <b>(8,111)</b>   |
| Non-controlling interests                   | —        | 18,504   | 42,752   | (200)     | <b>246,726</b>   |
|   | (87,018) | 30,733   | (51,961) | (233,236) | <b>238,615</b>   |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December,

|                           | 2017        | 2018      | 2019        | 2020         | 2021               |
|---------------------------|-------------|-----------|-------------|--------------|--------------------|
|                           | HK\$'000    | HK\$'000  | HK\$'000    | HK\$'000     | HK\$'000           |
| Total assets              | 6,589,265   | 6,569,464 | 7,002,919   | 17,955,521   | <b>16,022,667</b>  |
| Total liabilities         | (1,113,594) | (763,599) | (1,256,072) | (10,768,836) | <b>(8,715,249)</b> |
|                           | 5,475,671   | 5,805,865 | 5,746,847   | 7,186,685    | <b>7,307,418</b>   |
| Equity attributable to:   |             |           |             |              |                    |
| Owners of the Company     | 5,475,671   | 5,529,034 | 5,446,083   | 5,392,323    | <b>5,406,016</b>   |
| Non-controlling interests | —           | 276,831   | 300,764     | 1,794,362    | <b>1,901,402</b>   |
|                           | 5,475,671   | 5,805,865 | 5,746,847   | 7,186,685    | <b>7,307,418</b>   |

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

SUM Pui Ying (Chairman)  
LAI Kwok Hung, Alex  
(Chief Executive Officer)  
LAM Yee Lan

### Non-executive Directors

TANG Runjiang  
ZHOU Yue

### Independent Non-executive Directors

LAW Tze Lun (resigned on 13 October 2021)  
LO Woon Bor, Henry  
CHEN Yingshun  
LEE Sai Kai, David (appointed on  
13 October 2021)

## AUDIT COMMITTEE

LAW Tze Lun (Chairman) (resigned on  
13 October 2021)  
LEE Sai Kai, David (Chairman) (appointed on  
13 October 2021)  
TANG Runjiang  
ZHOU Yue  
LO Woon Bor, Henry  
CHEN Yingshun

## REMUNERATION COMMITTEE

LAW Tze Lun (Chairman) (resigned on  
13 October 2021)  
LEE Sai Kai, David (Chairman) (appointed on  
13 October 2021)  
LO Woon Bor, Henry  
CHEN Yingshun

## NOMINATION COMMITTEE

SUM Pui Ying (Chairman)  
LAW Tze Lun (resigned on 13 October 2021)  
LO Woon Bor, Henry  
CHEN Yingshun  
LEE Sai Kai, David (appointed on  
13 October 2021)

## INVESTMENT COMMITTEE

SUM Pui Ying (Chairman)  
LAI Kwok Hung, Alex  
TANG Runjiang  
ZHOU Yue  
LAW Tze Lun (resigned on 13 October 2021)  
LEE Sai Kai, David (appointed on  
13 October 2021)

## COMPANY SECRETARY

CHEUNG Sin Kei

## AUTHORISED REPRESENTATIVES

LAI Kwok Hung, Alex  
CHEUNG Sin Kei

## AUDITOR

BDO Limited  
Certified Public Accountants

## LEGAL ADVISORS

*(in alphabetical order)*

Baker & Mckenzie  
Sit Fung Kwong & Shum



## Corporate Information

### PRINCIPAL BANKERS

*(in alphabetical order)*

Bank of Communications Co., Ltd.  
Hong Kong Branch  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank 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](http://www.geminiinvestments.com.hk)