



盛洋投资

Gemini Investments (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 174

2016 ANNUAL REPORT





CONTENTS

2	Financial Highlights
3	Chairman’s Statement
7	Management Discussion & Analysis
15	Biographies of Directors
19	Directors’ Report
34	Corporate Governance Report
51	Environmental, Social and Governance Report
56	Independent Auditor’s Report
62	Consolidated Income Statement
63	Consolidated Statement of Comprehensive Income
64	Consolidated Statement of Financial Position
66	Consolidated Statement of Changes in Equity
67	Consolidated Statement of Cash Flows
69	Notes to the Financial Statements
145	Details of Investment Properties
147	Five-Year Financial Summary
148	Corporate Information



Financial Highlights

(HK\$'000)	2016	2015
Revenue	83,097	22,633
Loss before income tax	(248,109)	(1,133,009)
Loss for the year	(253,378)	(1,135,247)
Loss attributable to owners of the Company	(253,378)	(1,135,247)
Losses per share		
— basic (HK dollars)	(0.56)	(2.52)
— diluted (HK dollars)	N/A	N/A

(HK\$'000)	2016	2015
Total assets	5,926,243	6,528,232
Equity attributable to owners of the Company	3,834,192	3,956,346
Cash and cash equivalents	1,121,440	851,494
Net gearing ratio (times)	0.24	0.41



Chairman's Statement

On behalf of the board of directors of Gemini Investments (Holdings) Limited (the "**Company**") (the "**Director(s)**" or the "**Board**"), I have the pleasure to present the result of the Company and its subsidiaries (together referred to as "**our Group**" or "**We**"/"**we**") for the year ended 31 December 2016 (the "**Year**" or "**2016**").

2016 has been a year of continuing growth and expansion of our Group's business. We stayed focus on our core business segment of investment in fund platform, property investment and development, fund investment, and securities investment business. With the determination and execution of our Group's management, and through a series of acquisition, disposition and restructuring activities, we aim to optimise our resources allocation, improve our financial position, and solid our foundation in overseas real estate market, especially the fund platform in the United States of America (the "**U.S.**") and property investment and development business segment.

FINANCIAL RESULTS

Owing to the harvest of certain real estate funds we have invested, which distributed dividend income of approximately HK\$59.1 million during the Year, our Group recorded a total revenue of approximately HK\$83.1 million, representing a significant increase when compared to approximately HK\$22.6 million in 2015.

The overall financial result is improved with loss attributable to the owners of the Company decreased from approximately HK\$1.1 billion for 2015 to approximately HK\$253.4 million for 2016.

Despite increasing income generated from our investments over the past two years, including dividend income from real estate funds and profit shared from U.S. real estate fund platform — Gemini-Rosemont Realty LLC ("**GR Realty**"), loss recorded during the Year was mainly due to (i) share of loss of approximately HK\$159.5 million from a joint venture of the Company, namely Sino Prosperity Real Estate Fund L.P. (the "**SPRE Fund**"), which entire interest was disposed of by the Company in June 2016 for a total consideration of Renminbi ("**RMB**") 970.0 million. The Company has no interest in the SPRE Fund since then; and (ii) finance cost of approximately HK\$235.7 million from shareholder's loans with principal amount of approximately HK\$2,245.5 million from Grand Beauty Management Limited ("**Grand Beauty**"), an indirect wholly-owned subsidiary of our controlling shareholder, Sino-Ocean Group Holding Limited ("**Sino-Ocean**" and, together with its subsidiaries, "**Sino-Ocean Group**"), as at 31 December 2016. As announced in January 2017, the Company entered into a capitalisation and subscription agreement with Grand Beauty, pursuant to which the parties have conditionally agreed to capitalise the shareholder's loans in the principal amount of approximately HK\$1,782.8 million (and the related accrued interest thereon) by way of the issuance of convertible preference shares of the Company (the "**Loan Capitalisation**"). Completion of the Loan Capitalisation and the proposed issue of the convertible preference shares are subject to, among others, the compliance of the applicable requirements under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and it may or may not proceed.

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



Chairman's Statement

DEVELOPMENT AND EXPANSION OF CORE BUSINESSES

Fund Platform — GR Realty

An area of our development focus undoubtedly was our strategic investment in the real estate asset management platform in the U.S. — GR Realty, with asset under management of approximately U.S. dollars (“**US\$**”) 1.82 billion, comprising 65 commercial properties (107 buildings), with approximately 13.4 million square feet in 20 states across the U.S. as at 31 December 2016.

Through actively participating in the management of GR Realty, and leveraging on its solid knowhow, good relationship, sound execution capacity and well-established platform in local market, our Group is able to efficiently capture sound business opportunities in the U.S., as well as enhancing the management of existing projects, so as to strengthen our Group's presence, and constructively diversify our investments in the U.S., under the backdrop of strong U.S. economy and growing property market.

During the Year, GR Realty's asset under management was enriched by US\$290 million by adding a premier class A office tower in the heart of bustling Downtown San Diego, California, the U.S., a premier class A office tower in Durham, North Carolina, the U.S., and a class A, LEED Gold certified office tower in the Bellevue CBD submarket of Seattle, the U.S., all of which are of high occupancy rate, diversified tenant base and value-enhancing potential. Moreover, targeting long-term network building in Asian markets, GR Realty conducted its roadshow activities in both Hong Kong and Beijing in the 4th quarter of the Year. During the Year, it brought us a share of profit of GR Realty and its syndicated projects of approximately HK\$74.3 million, as well as dividend of approximately HK\$24.8 million.

Property Investment and Development

We have also been proactively seeking quality property investment opportunities in the U.S., with the support from GR Realty's local team, so as to broaden our Group's sources of income and enjoy the potential capital appreciation gain.

In May 2016, our Group entered into purchase and sale agreements to acquire two properties adjacent to each other in New York, at a total cash consideration of US\$53.0 million. Such properties are located at Sixth Avenue of Manhattan, one of the busiest retail districts in New York with tremendous foot traffic and good connection to other areas through various metro lines and trains, and in the prospect of offering an attractive upside potential in the medium term. The deal is expected to be closed during the first half of 2017.

In October 2016, our Group acquired a class A office property located in Durham, North Carolina, the U.S., an upswing and strong performance market especially in the research field, at the cash consideration of US\$17.2 million. In view of strong fundamentals and value-enhancement potential of the property, and with the professional management of GR Realty, we expect such property will generate stable recurring rental income and provide capital appreciation potential in the medium to long term.

OPTIMISATION OF RESOURCE ALLOCATION

In the view that the operation of the PRC fund platform — SPRE Fund will continue to be challenging with its real estate development projects mainly in second and third tier cities in Mainland China, and in order to optimise the cash and human resources allocation to overseas opportunities with higher expected return, our Group disposed of all its joint venture interest in the SPRE Fund for a consideration of RMB970.0 million in June 2016, with a slight disposal loss to the Group.

MARKET OUTLOOK

Like 2016, financial markets will not be immune to the stress of political uncertainties, with the yet-to-know implications of Brexit and election of the U.S. president, while the election of several key European countries, such as The Netherlands and France, during 2017 will create further volatility to the global economy.

U.S. leading indicators signal that the economy outlook will stay healthy. Services-oriented industries such as technology, financial services and healthcare, will continue to act as the main engine of the U.S. economy. It is expected that the policy makers may impose further fiscal stimulus, such as reducing corporate income tax rates and stimulating infrastructure investment, so as to lead to higher corporate profits. The U.S. dollar is expected to continue to be strong in the coming year, with the Federal Reserve's decision to raise interest rates.

In the United Kingdom (the "U.K.") and across Europe, the Brexit vote was the biggest shock in the context of both political and economic area. Uncertainties continue with the Brexit process and the crowded elections in European countries in 2017. The immediate short-run effects of the Brexit vote may be negative, as the uncertainty may lead firms and households to delay spending plans. We will keep an eye on the changing environment in the U.K. and the European countries, in order to capture any rising opportunities.

For China, though the economic growth is slowing, economic rebalancing is expected to continue, being supported by strong consumption growth and moderate investment growth. Financial markets will be expected to remain stable. The China Government will continue to implement accommodative monetary policies to support economic growth.



Chairman's Statement

DEVELOPMENT PROSPECTS

With credit to the tremendous efforts of our management and execution teams and with the support from our holding company and its major shareholders, we have attained remarkable progress in 2016, and successfully laid a solid foundation for our long-term growth.

For 2017, we are still optimistic on the economic fundamentals of top tier developed countries, especially the U.S. At the same time we will continue to follow closely with the market movements, stay cautious on the market and investment selection, and apply value investing strategy, under the backdrop of increasing unpredictability of political events.

On the one hand, we will continue our growth and expansion activities in overseas property markets (including Hong Kong), by reinforcing our professional knowledge and persistently adhering to the discipline of value investing. In the U.S. market, the support from the well-established local platform of GR Realty will facilitate our effective on-ground execution and help us capture sound investment opportunities in a timely manner and generate considerable investment returns from both operational and investment levels.

On the other hand, we will commit to the development of existing businesses and investments, as well as maintaining prudent and disciplined financial management to ensure its sustainability, so as to enhance the return for our shareholders.

APPRECIATION

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

LI Ming

Honorary Chairman

Hong Kong, 28 February 2017

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue

During 2016, our Group recorded a significant increase in revenue to approximately HK\$83.1 million, when compared to approximately HK\$22.6 million in 2015. Significant increase in revenue was mainly due to the increase in dividend income by approximately HK\$58.5 million, owing to the harvest of two of the real estate funds we have invested, with approximately HK\$35.8 million from Neutron Private Equity Fund Limited (“**Neutron PE**”), representing a yield of around 7% and approximately HK\$23.3 million from Prosperity Risk Balanced Fund LP (“**PRB Fund**”), representing a yield of around 5%.

The following table sets forth our Group’s revenue breakdown for 2016 and 2015:

	2016 <i>HKD’000</i>	2015 <i>HKD’000</i>
Rental revenue	21,678	18,204
Dividend income	61,419	2,870
Management fee income	—	1,559
	83,097	22,633

Other Income

Other income for the Year increased significantly from approximately HK\$15.8 million to approximately HK\$44.0 million, mainly as a result of increase in loan interest income by approximately HK\$25.2 million, which was mainly due to the fact that our Group has provided loans to GR Realty during the second half of 2015 and first half of 2016, thus with full year of interest income recognised in 2016.

Changes in fair value of financial instruments held for trading

A gain arising from changes in fair value of financial instruments held for trading of approximately HK\$6.0 million was recorded, due to our prudent investment strategy despite volatile global capital market in the Year (2015: a loss of approximately HK\$40.1 million).

Share of results of joint ventures

Share of results of joint ventures has been improved, with loss sharing decreased from approximately HK\$988.3 million to approximately HK\$86.2 million for the Year, mainly as a result of the combined effect of: (i) the increase in share of profit by approximately HK\$48.2 million in GR Realty; and (ii) the significant decrease in share of loss to approximately HK\$159.5 million (2015: loss of approximately HK\$1,012.1 million) in the SPRE Fund. Loss recognised for the SPRE Fund during 2016 was a result of the challenging PRC property market, in particular in second and third tier cities. Our Group disposed of its entire interest held in the SPRE Fund in June 2016.

Management Discussion & Analysis

Finance Cost

Finance cost for the Year increased by approximately HK\$157.6 million to approximately HK\$248.4 million. This was mainly due to the fact that certain borrowings of our Group were financed during 2015 without full year of interest expense recorded for 2015.

Loss attributable to owners of the Company

Loss attributable to owners of the Company improved from loss of approximately HK\$1.1 billion to loss of approximately HK\$253.4 million for the Year. Consequently, our Group recorded basic losses per share of approximately 0.56 HK dollar in 2016 versus basic losses per share of approximately 2.52 HK dollar in 2015. Our management will continue to focus on the improvement of our shareholders' return as their on-going task.

Financial Resources and Liquidity

As at 31 December 2016, the principal amount of our total borrowings decreased to approximately HK\$2,745.5 million (2015: approximately HK\$3,269.0 million), mainly as a result of reduction of unsecured borrowings from Grand Beauty with principal amount decreased from approximately HK\$2,744.0 million at the end of 2015 to approximately HK\$2,245.5 million at the end of 2016. The principal amount of current borrowings (repayable within one year) decreased by approximately HK\$599.0 million to approximately HK\$276.1 million, mainly as we successfully renewed our bank facility with principal amount of HK\$500.0 million for a further term of 36 months during the Year. Apart from the above, our Group did not have any other interest bearing debt as at 31 December 2016.

Total cash resources (including bank balances and cash and short-term bank deposits) of our Group amounted to approximately HK\$1,121.4 million as at 31 December 2016 (2015: approximately HK\$851.5 million), and the current ratio was approximately 4.53 times. The net gearing ratio of our Group, based on total borrowings (of which approximately 76% represented shareholder's loan from Grand Beauty) less cash resources divided by total shareholders' equity, has been reduced from 41% to 24%.

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

Financial Guarantees

As at 31 December 2016 and 31 December 2015, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 31 December 2016 and 31 December 2015, our Group did not have any pledged assets.

Management Discussion & Analysis

OPERATION REVIEW

During the Year, our Group adhered to the philosophy of value investment and actively optimising its asset allocation. An analysis of our Group's turnover and contribution to operating result for the Year by our principal activities is set out in Note 5 to the consolidated financial statements of our Group contained in this annual report.

Investment in Fund Platform

GR Realty

GR Realty, in which our Group has 45% membership interests, acts as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the U.S. During the Year, our Group shared a profit of approximately HK\$74.3 million as a result of its interest in GR Realty and received dividend of approximately HK\$24.8 million from certain syndicated projects controlled by GR Realty. As at 31 December 2016, our interest in GR Realty, together with interest in certain syndicated projects controlled by GR Realty, amounted to approximately HK\$985.1 million.

As at 31 December 2016, GR Realty was principally engaged in the ownership and/or management of its investment portfolio comprising 65 commercial properties, representing 107 buildings, with approximately 13.4 million square feet in 20 states across the U.S. Our Group is able to leverage on GR Realty's solid experience and good relationship of its senior management team with an aim to capture the growth in the U.S. property market and strengthen our Group's presence therein proactively, as well as diversifying our investment in fund platform business and property investment portfolio to a large number of states in the U.S., and allow our Group standing on a vantage point due to its exposure and presence in the U.S.

In March 2016, our Group entered into a loan agreement to provide unsecured loans in the amount of US\$6.3 million in aggregate at maximum to GR Realty, with interest at 6% per annum, for the purpose of facilitating the future expansion of GR Realty, so as to create value to our Group. The details are set out in the Company's announcement dated 31 March 2016. Together with the loans provided to GR Realty at acquisition date and in December 2015, the Group has recognised interest income of approximately HK\$25.0 million for 2016, as compared to approximately HK\$2.9 million for 2015.

SPRE Fund (disposed of in June 2016)

During the Year, share of loss of the SPRE Fund of approximately HK\$159.5 million was recognised, mainly as a result of the challenging PRC property market, in particular in second and third tier cities. In June 2016, the Company disposed of its entire equity interest in the SPRE Fund, through the disposal of the entire equity interest in Chance Bright Limited and assignment of the shareholder's loan provided by the Group, for a total consideration of RMB970.0 million in June 2016, with a slight disposal loss of approximately HK\$7.4 million. The details are set out in the Company's announcements respectively dated 19 May 2016 and 28 June 2016, and circular dated 10 June 2016.

The disposal enables our Group to focus top management resources and monetise the remaining value of its investment in the SPRE Fund for the purpose of seeking other overseas investment opportunities amid a competitive market environment.

Management Discussion & Analysis

Property Investments and Development

The recognised rental income of our Group during the Year increased by 19% to approximately HK\$21.7 million, which was mainly attributable to the rental income of approximately HK\$3.1 million received from the newly acquired office building in Durham, North Carolina, the U.S. during 2016. Revaluation gain of the Group's investment properties increased to approximately HK\$28.4 million (2015: approximately HK\$9.7 million) mainly as a result of the increase in fair values of our investment properties in the U.S.

As at 31 December 2016, our Group mainly held investment properties comprising A-grade office premises in Hong Kong and the U.S. with gross floor area of approximately 16,000 square feet and 132,000 square feet respectively, and residential units in New York with gross floor area of approximately 17,000 square feet. The office premises and the residential units had an aggregate occupancy rate of approximately 89% and 92% respectively as at the end of 2016.

During the Year, with the assistance of GR Realty, our Group has newly acquired a class A office property located in Durham, North Carolina, the U.S. at a consideration of US\$17.2 million, so as to generate stable rental income and provide capital appreciation potential. The details of such acquisition are set out in the Company's announcement dated 11 October 2016 and circular dated 28 October 2016.

Moreover, in May 2016, our Group entered into purchase and sale agreements to acquire two properties adjacent to each other that are located at Sixth Avenue of Manhattan, New York, the U.S., one of the busiest retail districts with tremendous foot traffic and good connection to other areas through various metro lines and trains, at a total cash consideration of US\$53.0 million, so as to target an attractive upside potential in the medium term. The deal is expected to be closed during the first half of 2017. Details are set out in the Company's announcement dated 27 May 2016 and circular dated 20 June 2016.

Fund Investments

During the Year, our Group recorded dividend income of approximately HK\$59.1 million from fund investments (2015: Nil), which was mainly attributable to the dividend income from Neutron PE and PRB Fund. Apart from other movement, a decrease of approximately HK\$5.3 million in fair value of fund investments was recorded in other comprehensive income for the Year because of the volatile global capital market conditions (2015: decrease in fair value of approximately HK\$6.5 million). Our fund investment portfolio, classified as available-for-sale investments, recorded carrying value of approximately HK\$2,115.1 million as at 31 December 2016 (2015: approximately HK\$2,100.4 million). Through fund investments, our Group aims to capture more sound investment opportunities, diversify its risk exposure, and further enhance its rate of return through efficient management and a wider access to investment channels.

Management Discussion & Analysis

Securities and Other Investments

During the Year, our Group recorded a gain from changes in fair value of financial instruments held for trading of approximately HK\$6.0 million due to our prudent investment strategy despite volatile global capital market in the Year (2015: a loss of approximately HK\$40.1 million), and dividend income from securities and other investments of approximately HK\$2.3 million (2015: approximately HK\$2.9 million).

As at 31 December 2016, our securities investment portfolio mainly consisted of investment in listed securities in overseas of approximately HK\$160.3 million (2015: in Hong Kong of approximately HK\$10.6 million and in overseas and the PRC of approximately HK\$139.0 million). Securities investment forms part of our Group's cash management activities and we maintain a scalable investment portfolio with proper diversification to avoid the fluctuation of any single market.

Employees

As at 31 December 2016, the total number of staff employed was 23 (2015: 26). During 2016, the level of our overall staff cost was approximately HK\$18.3 million (2015: approximately HK\$28.6 million), including share-based compensation of around HK\$0.7 million (2015: approximately HK\$5.3 million).

With a view to encouraging and rewarding contribution made by our staff, our Group has adopted a share option scheme and believes that this will be an effective tool for achieving this purpose. Our Group recruits and promotes individuals based on their performance and development potentials in the positions offered. When formulating staff salary and benefit policies, our Group gives primary consideration to their individual performance and prevailing salary levels in the market.

Contingent Liabilities

As at 31 December 2016, our Group had no significant contingent liabilities.

Subsequent Event after the Reporting Period

On 27 January 2017, the Company entered into a capitalisation and subscription agreement with Grand Beauty for the issue of up to a maximum of 597,230,534 new convertible preference shares of the Company at a subscription price of HK\$3.0 each. The consideration for the issue of such convertible preference shares is by way of capitalisation of a total sum of approximately HK\$1,782.8 million (and the related accrued interest thereon) which represented part of the shareholder's loans owed by the Company to Grand Beauty. Such arrangement constituted a connected transaction of the Company under the Listing Rules and is still subject to, amongst others, approval by the independent shareholders of the Company and in respect of the issue of the convertible preference shares, the listing approval by the Stock Exchange. Details of the transaction are set out in the announcement of the Company dated 27 January 2017.



Management Discussion & Analysis

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group is also using office equipment carrying Energy Label issued by the Electrical and Mechanical Services Department which save energy in the offices.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs — Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes 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.

Management Discussion & Analysis

Market Risks

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

Foreign Exchange Rates Risk

As our Group's assets and liabilities were mainly denominated in Hong Kong Dollars, U.S. Dollars, RMB and Australian Dollars, in view of the potential RMB and Australian Dollars exchange rate fluctuations, our Group has entered relative hedging to mitigate the foreign exchange rate risk and will continue to closely monitor the exposure and take any actions when appropriate.

Interest Rate Risk

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

Equity Price Risk

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

Liquidity Risk

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.



Management Discussion & Analysis

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

Manpower and Retention Risk

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

Business Risk

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

Joint Venture Partners Risk

Some of the businesses of our Group are or may be conducted through joint ventures in which our Group shares control with the joint venture partners. There is no assurance that any of these joint venture partners will continue their relationships with our Group in the future or their goals or strategies are in line with our Group. Such joint venture partners may have business interests or goals which are different from our Group. They may experience financial and other difficulties or may be unable to fulfil their obligations under the joint ventures which may affect our Group's businesses and operations.

Biographies of Directors



Mr. LI Ming, aged 53, has been appointed as a non-executive Director, the honorary chairman of the Board and the chairman of the nomination committee of the Board since 9 August 2013. He is currently an executive director, the chairman of the board of directors, chairman of the nomination committee and chairman of the investment committee of the board of directors of Sino-Ocean, a controlling shareholder of the Company listed on the Main Board of the Stock Exchange (stock code: 3377). Mr. LI joined the group of Sino-Ocean as a general manager in July 1997 and became the chief executive officer in August 2006. Mr. LI also serves as the chairman, legal representative, director or general manager of a number of the subsidiaries and project companies of Sino-Ocean. With extensive experience in corporate governance, property development and property investment, Mr. LI is primarily engaged in Sino-Ocean's overall operation management and the implementation of development strategies. Mr. LI obtained a Bachelor's Degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985 and a Master's Degree in Business Administration from the China Europe International Business School in May 1998. He is also a member of The Chartered Institute of Building and a qualified senior engineer. Mr. LI is currently the vice-president of the China Real Estate Association (**CREA**) and the director of the Commercial and tourism Real Estate Professional Committee of CREA and was an advisory expert of the Ministry of Housing and Urban-Rural Development at real estate macro control, a member of the 10th and 11th CPPCC Beijing Municipal Committees, and a deputy to the 13th, 14th and 15th Chaoyang District People's Congresses of Beijing.



Mr. SUM Pui Ying, Adrian, aged 55, has been appointed as an executive Director and chief executive officer of the Company since 9 August 2013. He is currently a member of the nomination committee and the chairman of the investment committee of the Board. Mr. SUM joined the Group in 2011, and currently he is also a director of certain subsidiaries of the Company. Mr. SUM is the chief financial officer of Sino-Ocean and has been appointed as an executive director of Sino-Ocean since 18 December 2015. He joined the group of Sino-Ocean in May 2007. Mr. SUM is primarily engaged in the strategic development of Sino-Ocean and is responsible for the overall coordination of its overseas business, operation and management of group of Sino-Ocean's Hong Kong and overseas business. Mr. SUM is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England & Wales. Mr. SUM obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master's Degree in Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996. He is currently a director, the Honorary Treasurer and Finance Committee Chairman of Executive Committee of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited.

Biographies of Directors



Ms. CUI Yueming, aged 44, has been appointed as an executive Director since 25 April 2015. She is the general manager of asset management division of Sino-Ocean. Ms. CUI is also a director of a number of projects companies and subsidiaries of the group of Sino-Ocean. Since joining the group of Sino-Ocean in February 1998, she has been the chief financial officer of certain project companies, vice-general manager of finance department and general manager of strategic development department of the group of Sino-Ocean. Ms. CUI has extensive experience in property investments, operation and management, and corporate governance. Ms. CUI is a China Senior Accountant, she obtained a Bachelor's Degree in Economics from Capital University of Economics and Business in 1996 and a Master's degree in Business Administration from China Europe International Business School in 2015. Ms. CUI has also been appointed as the director of various subsidiaries of the Company.



Mr. LAI Kwok Hung, Alex, aged 52, has been appointed as an executive Director and a member of the investment committee of the Board since 9 August 2013. He joined the Group as senior finance manager in July 2013 and is responsible for the finance and accounting functions of the Group. Mr. LAI is also a director of various subsidiaries of the Company. Mr. LAI has over 27 years' solid experience in auditing, accounting, financial advisory and management matters. Mr. LAI is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. He is also an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He 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. He is also the real estate fund group's convener of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited.



Mr. LI Hongbo, aged 49, has been appointed as a non-executive Director since 22 October 2010. He has been the general manager of the finance department of Sino-Ocean Land Limited since 2006, a wholly-owned subsidiary of Sino-Ocean. Mr. LI has been the assistant to the chief executive officer of Sino-Ocean since 2015 and has been appointed as an executive director and member of investment committee of the board of directors of Sino-Ocean since 22 March 2016. Mr. LI is mainly responsible for Sino-Ocean's overall operation management and financial management, and assists in charge of and supervises the work of its financial management centre. He also serves as a director of a number of project companies and subsidiaries of Sino-Ocean. Mr. LI has over 20 years of experience in accounting. Mr. LI obtained a Bachelor of Engineering from Xi'an Highway Institute (now Chang'an University) in July 1989 and a Master's Degree in Business Administration from the China Europe International Business School in October 2011.

Biographies of Directors



Mr. LAW Tze Lun, aged 45, has been appointed as an independent non-executive Director since 12 November 2010. He is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Investment Committee and Nomination Committee of the Board. He is a Practicing Certified Public Accountant in Hong Kong and currently a director of ANSA CPA Limited. In 1999, Mr. LAW obtained a Bachelor of Commerce (Accounting) from Curtin University of Technology in Australia through distance learning. Mr. LAW is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. He has over 23 years of experience in auditing, accounting and finance gained from various accounting firms in Hong Kong. He has been an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794) since February 2009 and National Investments Fund Limited (stock code: 1227) since December 2013, both of which are listed on the Stock Exchange.



Mr. LO Woon Bor, Henry, aged 53, has been appointed as an independent non-executive Director since 12 November 2010. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Mr. LO is a solicitor and currently the principal of Henry Lo & Co, Solicitors in Hong Kong. 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. With over 24 years of experience in civil and commercial litigation, Mr. LO has extensive experience in the practice of property law, intellectual property, civil and commercial advice and litigation. He served as an in-house counsel in a Hong Kong-listed publication conglomerate from 1998 to 1999. He regularly proffers advice to companies and institutions with regard to civil and commercial subjects and practice.

Biographies of Directors



Mr. DENG Wei, aged 53, has been appointed as an independent non-executive Director since 25 January 2016. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. DENG has been the managing director of Century Bridge Capital Partners and the president of Beijing Century Bridge Investment Co. since May 2008, focusing on equity investment opportunities in the real estate market of the PRC. He has 25 years of professional experience in telecommunications industry, finance industry and real estate investment field with operating expertise in general business management and private equity business. Over the past 16 years, Mr. DENG has established extensive deal sourcing and financing network with investment banks, real estate developers and operators, real estate brokers and other intermediaries in both Greater China Region and the U.S. Mr. DENG holds a bachelor degree of Science and a master degree of Economics from Tsing Hua University in the PRC and a master degree of Science (Engineering and Public Policy) from Carnegie-Mellon University in the U.S..

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 2016 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in investment in fund platform, fund investments, property investment and development and securities investment businesses. The principal activities of its subsidiaries are set out in Note 34 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 62 of this annual report.

The Board did not recommend the payment of a final dividend for the Year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on pages 3 to 6 and pages 7 to 14 of this annual report.

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS

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

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31 December 2016, as set out in Note 15 to the consolidated financial statements of the Group.

Particulars of the investment properties of the Group as at 31 December 2016 are set out in "Details of Investment Properties" of this annual report.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements of the Group.

RESERVES

As at 31 December 2016, the Company did not have any reserves available for distribution in accordance with the provisions of sections 291, 297 and 299 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"). Details of the movement in the reserves of the Group and the Company during the Year are set out in Note 25 to the consolidated financial statements of the Group.

DIRECTORS

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

LI Ming (NED) (Honorary Chairman)
SUM Pui Ying (ED) (Chief Executive Officer)
CUI Yueming (ED)
LAI Kwok Hung, Alex (ED)
LI Hongbo (NED)
LAW Tze Lun (INED)
LO Woon Bor, Henry (INED)
DENG Wei (INED) (appointed on 25 January 2016)
ZHENG Yun (INED) (resigned on 25 January 2016)

Notes:

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

In accordance with Article 116 of the Company's articles of association (the "**Articles**"), at each annual general meeting (the "**AGM**") of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office such that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Therefore, Mr. LI Hongbo, Mr. LAW Tze Lun and Mr. LO Woon Bor, Henry, being three of the Directors who have been longest in office since their last election, will retire from office of the Board by rotation at the forthcoming AGM, and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

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

Save for the transactions as disclosed in the sections headed "Continuing Disclosure Requirements Under Rule 13.21 of Chapter 13 of the Listing Rules" below, and the borrowings of the Group and the related party transactions of the Group as disclosed in Notes 20, 23 and 32 to the consolidated financial statements of the Group, no other transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries, parent companies or fellow subsidiaries was a party, and in which any Director or a connected entity of any Director had a material interest (whether directly or indirectly) or to which the controlling shareholder of the Company or any of its subsidiaries is a party, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Group has taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Company. The level of the coverage is reviewed annually.

Directors' Report

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

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

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

Under the share option scheme of the Company (whose details are further described in the section headed "Share Option Scheme" below), share options were granted to the following Directors which entitled them to subscribe for the ordinary shares of the Company (the "Shares"). Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them as at 31 December 2016 were as follows:

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2016	Exercise price per Share HK\$	Approximate percentage of interest in the issued Shares as at 31 December 2016
LI Ming	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	4,000,000 (L)	0.96	0.887%
SUM Pui Ying	Beneficial owner	26 August 2011	26 August 2011 — 22 June 2021	2,000,000 (L)	1.40	0.443%
		9 August 2013	9 August 2013 — 22 June 2021	16,000,000 (L)	0.96	3.548%
				Total: 18,000,000 (L)		3.991%

Directors' Report

Name of Directors	Capacity	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2016	Exercise price per Share HK\$	Approximate percentage of interest in the issued Shares as at 31 December 2016
CUI Yueming	Beneficial owner	9 March 2015	9 March 2015 — 22 June 2021	790,000 (L)	1.27	0.175%
LAI Kwok Hung, Alex	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	3,000,000 (L)	0.96	0.665%
		9 March 2015	9 March 2015 — 22 June 2021	500,000 (L)	1.27	0.111%
				Total: 3,500,000 (L)		0.776%
LI Hongbo	Beneficial owner	9 August 2013	9 August 2013 — 22 June 2021	1,000,000 (L)	0.96	0.222%
		9 March 2015	9 March 2015 — 22 June 2021	500,000 (L)	1.27	0.111%
				Total: 1,500,000 (L)		0.333%

Note:

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

Directors' Report

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

As at 31 December 2016, the interests of the Directors in the shares of Sino-Ocean Group Holding Limited ("**Sino-Ocean**") (being the associated corporation of the Company) were as follows:

Name of Directors	Capacity	Number of shares in Sino-Ocean	Approximate percentage of interest in the issued share capital of Sino-Ocean as at 31 December 2016
LI Ming	Beneficial owner	3,127,000 (L)	0.042%
	Founder of discretionary trust	127,951,178 (L) (Note 1)	1.703%
	Beneficiary of trust	9,521,711 (L) (Note 2)	0.127%
	Total:	140,599,889 (L)	1.871%
SUM Pui Ying	Beneficial owner	1,777,550 (L)	0.024%
CUI Yueming	Beneficial owner	116,495 (L)	0.002%
LI Hongbo	Beneficial owner	104,506 (L)	0.001%

Notes:

1. The 127,951,178 shares in Sino-Ocean are held by a discretionary trust of which Mr. LI Ming is a founder.
2. The 9,521,711 shares in Sino-Ocean are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.
3. The letter "L" denotes a long position in the shares in Sino-Ocean.

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

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

One of the schemes is the restricted share award scheme adopted by Sino-Ocean on 22 March 2010 (the "**Adoption Date**") as an incentive to retain and encourage the employees of the Sino-Ocean Group for the continual operation and development of the Sino-Ocean Group. Pursuant to the restricted share award scheme, shares up to 3% of the issued share capital of Sino-Ocean as at the Adoption Date shall be purchased by the trustee from the market out of cash contributed by the Sino-Ocean Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the restricted share award scheme.

Directors' Report

The other scheme is the share option scheme of Sino-Ocean, which is valid and effective for a period of 10 years until 27 September 2017, unless it is terminated earlier in accordance with the provisions of such share option scheme. This scheme was adopted for the purpose of providing an incentive for employees of the Sino-Ocean Group to work with commitment towards enhancing the value of Sino-Ocean and to compensate employees of the Sino-Ocean Group for their contribution based on their individual performance. Under the share option scheme of Sino-Ocean, share options may be granted to eligible directors and employees of the Sino-Ocean Group to subscribe for new shares in Sino-Ocean.

In respect of the restricted share award scheme of Sino-Ocean, the following Directors were granted certain share awards under the restricted share award scheme and were accordingly regarded as having an interest in the shares of Sino-Ocean (being the associated corporation of the Company) pursuant to the provisions of the SFO. Details of share awards held by them as at 31 December 2016 were as follows:

Name of Directors	Capacity	Date of grant	Number of shares in Sino-Ocean awarded but not yet vested as at 31 December 2016	Approximate percentage of interest in the issued share capital of Sino-Ocean as at 31 December 2016
LI Ming	Beneficial owner	18 March 2014	233,175 (L)	0.003%
		18 March 2015	1,008,114 (L)	0.013%
		25 March 2016	1,871,200(L)	0.025%
		Total:	3,112,489 (L)	0.041%
SUM Pui Ying	Beneficial owner	18 March 2014	78,525 (L)	0.001%
		18 March 2015	362,925 (L)	0.005%
		25 March 2016	657,500 (L)	0.009%
		Total:	1,098,950(L)	0.015%
CUI Yueming	Beneficial owner	18 March 2014	13,500 (L)	less than 0.001%
		18 March 2015	40,314 (L)	0.001%
		25 March 2016	97,900 (L)	0.001%
		Total:	151,714(L)	0.002%
LI Hongbo	Beneficial owner	18 March 2014	11,025 (L)	less than 0.001%
		18 March 2015	40,314 (L)	0.001%
		25 March 2016	163,100 (L)	0.002%
		Total:	214,439(L)	0.003%

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

Directors' Report

Regarding the share option scheme adopted by Sino-Ocean, the following Directors had been granted share options to subscribe for shares in Sino-Ocean and were accordingly regarded as interested in the underlying shares of Sino-Ocean (being the associated corporation of the Company) pursuant to the provisions of the SFO. Details of the share options of Sino-Ocean held by them as at 31 December 2016 were as follows:

Name of Directors	Capacity	Date of grant of share options	Exercise period (Note 4)	Number of shares in Sino-Ocean over which options are exercisable as at 31 December 2016	Exercise price per share HK\$	Approximate percentage of interest of such share options held as at 31 December 2016 relative to the issued share capital of Sino-Ocean as at 31 December 2016
LI Ming	Beneficial owner	12 January 2012	(Note 1)	6,280,000 (L)	3.57	0.084%
		27 August 2015	(Note 2)	1,800,000 (L)	4.04	0.024%
		13 April 2016	(Note 3)	20,000,000 (L)	3.80	0.266%
		Total:		28,080,000 (L)		0.374%
SUM Pui Ying	Beneficial owner	12 January 2012	(Note 1)	2,330,000 (L)	3.57	0.031%
		27 August 2015	(Note 2)	800,000 (L)	4.04	0.011%
		13 April 2016	(Note 3)	5,000,000 (L)	3.80	0.067%
		Total:		8,130,000 (L)		0.108%
CUI Yueming	Beneficial owner	12 January 2012	(Note 1)	200,000 (L)	3.57	0.003%
		27 August 2015	(Note 2)	450,000 (L)	4.04	0.006%
		13 April 2016	(Note 3)	3,000,000 (L)	3.80	0.040%
		Total:		3,650,000 (L)		0.049%
LI Hongbo	Beneficial owner	27 August 2015	(Note 2)	700,000 (L)	4.04	0.009%
		13 April 2016	(Note 3)	4,000,000 (L)	3.80	0.053%
		Total:		4,700,000 (L)		0.063%

Notes:

1. Exercisable from 12 January 2013 to 11 January 2017.
2. Exercisable from 27 August 2016 to 26 August 2020.
3. Exercisable from 13 April 2017 to 12 April 2021.
4. All the above share options of Sino-Ocean granted are exercisable within a five-year period in which 40% of the options become exercisable 1 year from the grant date; 70% of the options become exercisable 2 years from the grant date; and all options become exercisable 3 years from the grant date.
5. The letter "L" denotes a long position in the shares in Sino-Ocean.

As at 31 December 2016, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

At an extraordinary general meeting (the “**EGM**”) of the Company held on 23 June 2011, a share option scheme (the “**Share Option Scheme**”) of the Company was approved by the shareholders of the Company. Subject to early termination by the Company in its general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption of the Share Option Scheme (which was in our case 23 June 2011) and will remain in force until 22 June 2021.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the employees (whether full-time or part-time) of each member of the Group (the “**Participants**”) and for such other purposes as the Board may approve from time to time. The Board may from time to time grant options under the Share Option Scheme to the Participants to subscribe for new Shares. In determining the basis of eligibility of each Participant, the Board may have absolute discretion to determine whether or not one falls within the meaning of Participants and would take into account such factors as it considers appropriate.

As at the date of this Directors' Report, the aggregate number of Shares subject to outstanding options granted under the Share Option Scheme comprise 37,410,000 Shares, and the Company may further grant share options under the Share Option Scheme to subscribe for 39,550,000 Shares, representing approximately 8.77% of the total issued Shares of the Company as at the date of this Directors' Report.

Certain principal terms of the Share Option Scheme are summarised as follows:

Unless there is prior approval from the Company's shareholders, the total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period shall not exceed 1% of the issued Shares. Where any further grant of options to a Participant would result in excess of such limit, such further grant must be subject to the approval of the Company's shareholders at general meeting with such Participant and his close associates abstaining from voting.

Directors' Report

All offers of the share options under the Share Option Scheme shall remain open for acceptance by the Participants concerned for a period of not less than 10 business days from the date of offer of the option (the "**Offer Date**"), and acceptance of such offers shall be accompanied by a payment of HK\$1 to the Company within the aforesaid 10 business-day period as consideration for the grant of such option. Options may be exercised by the Participants at any time during a period to be notified by the Board to each grantee at the time of offer of the share options which period shall not be more than 10 years from the date of grant of the options. Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held before the option can be exercised.

The subscription price in respect of each Share issued pursuant to the exercise of options granted under the Share Option Scheme shall be a price solely determined by the Board and notified to the Participants and shall be at least the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the Offer Date, which must be a business day; or (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the Offer Date.

Details of share options movements under the Share Option Scheme during the Year were summarised as follows:

Date of grant	Exercise price per Share HK\$	Number of Shares over which options are exercisable					Balance as at 31 December 2016	Exercise period	
		Balance as at 1 January 2016	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year			
Directors									
LI Ming	9 August 2013	0.96	4,000,000 (L)	—	—	—	—	4,000,000 (L)	9 August 2013 – 22 June 2021
SUM Pui Ying	26 August 2011	1.40	2,000,000 (L)	—	—	—	—	2,000,000 (L)	26 August 2011 – 22 June 2021
	9 August 2013	0.96	16,000,000 (L)	—	—	—	—	16,000,000 (L)	9 August 2013 – 22 June 2021
CUI Yueming	9 March 2015	1.27	790,000 (L)	—	—	—	—	790,000 (L)	9 March 2015 – 22 June 2021
LAI Kwok Hung, Alex	9 August 2013	0.96	3,000,000 (L)	—	—	—	—	3,000,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	500,000 (L)	—	—	—	—	500,000 (L)	9 March 2015 – 22 June 2021
LI Hongbo	9 August 2013	0.96	1,000,000 (L)	—	—	—	—	1,000,000 (L)	9 August 2013 – 22 June 2021
	9 March 2015	1.27	500,000 (L)	—	—	—	—	500,000 (L)	9 March 2015 – 22 June 2021

	Date of grant	Exercise price per Share HK\$	Number of Shares over which options are exercisable				Cancelled during the Year	Balance as at 31 December 2016	Exercise period
			Balance as at 1 January 2016	Granted during the Year	Exercised during the Year	Lapsed during the Year			
Employees of the Group	26 August 2011	1.40	1,300,000 (L)	—	—	—	—	26 August 2011 – 22 June 2021	
	9 August 2013	0.96	5,820,000 (L)	—	—	—	—	9 August 2013 – 22 June 2021	
	9 March 2015	1.27	3,000,000 (L)	—	—	500,000 (L)	—	9 March 2015 – 22 June 2021	
Total:			37,910,000 (L)	—	—	500,000 (L)	—	37,410,000 (L)	

Note:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

- (a) at no time during the Year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

CHANGE IN DIRECTOR'S INFORMATION

Saved as the change of terms of service contract of Mr. SUM Pui Ying as disclosed under the section headed "Appointment, re-election and removal" in the Corporate Governance Report of the Company, there have been no changes in information on Directors since the date of the Interim Report 2016 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares in respect of equity derivatives of the Company as recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of Interest/capacity	Number of Shares/underlying Shares	Approximate percentage of the issued Shares as at 31 December 2016
Sino-Ocean	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Shine Wind Development Limited	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Faith Ocean International Limited	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Sino-Ocean Land (Hong Kong) Limited ("SOL HK")	Interest of controlled corporation (Note 2)	1,612,504,625 (L)	357.55%
Grand Beauty Management Limited ("Grand Beauty")	Beneficial owner	312,504,625 (L)	69.29%
	Beneficial owner	1,300,000,000 (L) (Note 1)	288.25%
		<u>Total: 1,612,504,625 (L)</u>	357.55%

Note:

- These shares represent the 1.3 billion underlying Shares which may be allotted and issued to Grand Beauty, a wholly-owned subsidiary of Sino-Ocean, upon exercise in full of the conversion rights attaching to the 1.3 billion non-voting convertible preference shares issued by the Company on 23 December 2014.
- Grand Beauty was wholly owned by SOL HK. SOL HK was wholly owned by Faith Ocean International Limited which was in turn wholly owned by Shine Wind Development Limited. Shine Wind Development Limited was wholly owned by Sino-Ocean. In view of their respective direct or indirect 100% shareholding interest in Grand Beauty, each of SOL HK, Faith Ocean International Limited, Shine Wind Development Limited and Sino-Ocean was deemed under the SFO to be interested in the 1,612,504,625 Shares in which Grand Beauty was interested.
- The letter "L" denotes a long position in the Shares.

Save as disclosed herein, as at 31 December 2016, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares in respect of equity derivatives of the Company which had been recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the Shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate turnover attributable to the Group's largest customer and five largest customers accounted for approximately 43.1% and 28.0% respectively of the Group's total turnover. The Group's principal businesses are investment in fund platform, fund investment, property investment and development and securities investment businesses, and so the Group did not have five largest suppliers during the Year.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF CHAPTER 13 OF THE LISTING RULES

A facility agreement dated 30 August 2016 (the "**Facility Agreement**") was entered into between the Company (as borrower), Sino-Ocean (a controlling shareholder of the Company, as guarantor) and a licensed bank in Hong Kong (as lender), whereby a renewed term loan facility in the principal amount of HK\$500.0 million had been granted to the Company for a term of 36 months after the date of the Facility Agreement. Pursuant to the Facility Agreement, each of the Company and Sino-Ocean shall ensure that Sino-Ocean shall at all times remain the single largest shareholder (direct or indirect) of not less than 30% shareholdings in the Company and maintain control over the Company, and a failure to do so will be deemed an event of default under the Facility Agreement.

CONNECTED TRANSACTIONS

The transaction with parent and transactions with fellow subsidiaries as disclosed in "Related Party Transactions" under note 32 to the consolidated financial statements of the Group constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules. Save for the aforesaid transactions, the other related party transactions shown in note 32 to the consolidated financial statements of the Group do not constitute connected transactions or continuing connected transactions under the Listing Rules.



Directors' Report

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of bank loans, overdrafts and other borrowings of the Group are set out in Note 23 to the consolidated financial statements of the Group.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in Note 34 to the consolidated financial statements of the Group.

CORPORATE GOVERNANCE

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

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

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

EMOLUMENT POLICY AND RETIREMENT BENEFITS OF THE GROUP

The emolument policy of the senior employees of the Group is set and recommended by the remuneration committee of the Company (the "**Remuneration Committee**") to the Board on the basis of the employees' merit, qualifications and competence.

The emoluments of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company's operating results, individual performance of the Directors and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to the Directors and eligible employees of the Group, details of which are set out in the section headed "Share Option Scheme" above.

Details of the Group's retirement benefit plans are set out in Note 31 to the consolidated financial statements of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its 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 years ended 31 December 2016 were audited by BDO Limited, who would retire at the conclusion of the forthcoming AGM of the Company, and being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

LAI Kwok Hung, Alex

Executive Director

Hong Kong, 28 February 2017

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 2016 (the “**Year**”), the Company has complied with the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as and when they were/are in force, except for Code Provisions A.1.1, A.2.7, A.6.7 and E.1.2.

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

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

Non-executive Directors should attend general meetings of the Company under Code Provision A.6.7 and the Chairman of the Board should attend the annual general meeting of the Company under Code Provision E.1.2. Due to other pre-arranged business commitments which had to be attended, (i) Mr. LI Ming (being the honorary chairman of the Board (the “**Honorary Chairman**”) and a non-executive Director) and Mr. LI Hongbo (being a non-executive Director) were unable to attend the annual general meeting of the Company held on 22 April 2016 and the extraordinary general meeting of the Company held on 28 June 2016; and (ii) Mr. DENG Wei (being an independent non-executive Director) was unable to attend the extraordinary general meeting of the Company held on 28 June 2016.

Corporate Governance Report

BOARD OF DIRECTORS

Board composition

As at 31 December 2016, the Board consisted of a total of eight members, including three executive Directors, two non-executive Directors whereas one of whom was the Honorary Chairman, and three independent non-executive Directors. The name and biographical details of each Director are set out on pages 15 to 18 of this annual report.

During the Year, a total of three regular board meetings, one annual general meeting (the “**AGM**” which was held on 22 April 2016) and one extraordinary general meeting (the “**EGM**” which was held on 28 June 2016) of the Company were held. The individual attendance record of each Director at such meetings is tabulated as follows:

	Number of meeting attended/held		
	Board meetings	AGM	EGM
Directors			
Mr. LI Ming (Honorary Chairman)	0/3	0/1	0/1
Mr. SUM Pui Ying (Chief Executive Officer)	2/3	0/1	0/1
Ms. CUI Yueming	3/3	0/1	0/1
Mr. LAI Kwok Hung, Alex	3/3	1/1	1/1
Mr. LI Hongbo	3/3	0/1	0/1
Mr. LAW Tze Lun	3/3	1/1	1/1
Mr. LO Woon Bor, Henry	3/3	1/1	1/1
Mr. DENG Wei (appointed on 25 January 2016)	3/3	1/1	0/1

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

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

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

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 has a proper understanding of his duties and responsibilities.

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

Directors	Type of trainings <small>(note 1)</small>
Mr. LI Ming	a, b
Mr. SUM Pui Ying	a, b
Ms. CUI Yueming	a, b
Mr. LAI Kwok Hung, Alex	a, b
Mr. LI Hongbo	a, b
Mr. LAW Tze Lun	a, b
Mr. LO Woon Bor, Henry	a, b
Mr. DENG Wei (appointed on 25 January 2016)	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. No independent non-executive Directors have served the Company for more than 9 years.

Relationships and associations among the Directors

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

Chairman and Chief Executive Officer

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

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

Appointment, re-election and removal

The current service contract of Mr. LI Ming as a non-executive Director and the Honorary Chairman has a term of 2 year commencing from 9 August 2015, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Mr. LI is HK\$1 per annum.

The term of service contract of Mr. SUM Pui Ying as an executive Director and the Chief Executive Officer has been revised to one year commencing from 9 August 2016, subject to 2 months' prior notice of early termination by either party, and his annual base salary has been revised to HK\$180,000.



Corporate Governance Report

The current service contract of Ms. CUI Yueming as an executive Director has a term of 1 year commencing from 25 April 2016, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Ms. CUI is HK\$180,000 per annum.

The current service contract of Mr. LAI Kwok Hung, Alex as an executive Director has a term of 2 years commencing from 9 August 2015, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Mr. LAI Kwok Hung, Alex is HK\$180,000 per annum.

The current service contract of Mr. LI Hongbo as a non-executive Director has a term of 1 year commencing from 2 January 2017, subject to early termination by either party giving the other not less than 2 months' prior notice in writing. Under the above service contract, the remuneration of Mr. LI Hongbo is HK\$180,000 per annum.

Mr. LAW Tze Lun and Mr. LO Woon Bor, Henry were re-appointed as independent non-executive Directors for a term of 3 years commencing from 2 January 2016 pursuant to their current appointment letters with the Company, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letters, the remuneration of each of them is HK\$180,000 per annum.

Mr. DENG Wei was re-appointed as an independent non-executive Director for a term of 1 year commencing from 25 January 2017 pursuant to his appointment letter with the Company, subject to early termination by either party giving the other not less than 1 month's prior notice in writing. Under the above appointment letter, the remuneration of Mr. DENG Wei 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, Messrs. LI Hongbo, LAW Tze Lun and LO Woon Bor, Henry, being three of the Directors who have been longest in office since their last election, will retire from office of the Board by rotation at the forthcoming AGM and offer themselves for re-election.

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.

Board Committee	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	C	—
Mr. SUM Pui Ying (ED)	—	—	M	C
Mr. LAI Kwok Hung, Alex (ED)	—	—	—	M
Mr. LAW Tze Lun (INED)	C	C	M	M
Mr. LO Woon Bor, Henry (INED)	M	M	M	—
Mr. DENG Wei (INED) (appointed on 25 January 2016)	M	M	M	—
Mr. ZHENG Yun (INED) (resigned on 25 January 2016)	M	M	M	—

Notes:

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

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

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 meeting attended/held			
	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Directors				
Mr. LI Ming (NED)	—	—	0/1	—
Mr. SUM Pui Ying (ED)	—	—	1/1	Note
Mr. LAI Kwok Hung, Alex (ED)	—	—	—	1/1
Mr. LAW Tze Lun (INED)	2/2	1/1	1/1	1/1
Mr. LO Woon Bor, Henry (INED)	2/2	1/1	1/1	—
Mr. DENG Wei (INED) (appointed on 25 January 2016)	1/2	1/1	1/1	—

Note: Mr. SUM Pui Ying has appointed his representative to attend the investment committee meeting of the Company.

Nomination Committee

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

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

- (a) reviewing and evaluating the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and shareholders’ meetings;
- (b) reviewing and recommending the re-appointment of the retiring Directors;
- (c) assessing independence of the independent non-executive Directors;
- (d) assessing and recommending the appointment of Mr. DENG Wei as an independent non-executive Director; and
- (e) reviewing and recommending the renewal of (i) the director’s service contracts of Mr. SUM Pui Ying, Ms. CUI Yueming and Mr. LI Hongbo and (ii) the appointment letter of Mr. DENG Wei.

Corporate Governance Report

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

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

As the Company recognises that having a board diversity policy can enhance the quality of its performance, under the recommendation of the Nomination Committee, the Board has adopted a board diversity policy in compliance with Code Provision A.5.6 of the CG Code. Pursuant to the board diversity policy of the Company, in designing the Board's composition so as to achieve board diversity, a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of the candidates will be taken into account. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Remuneration committee

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

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

Corporate Governance Report

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

- (a) reviewing and recommending the policy and structure of the remuneration of the Directors and senior officers of the Group to the Board;
- (b) assessing individual performance of the Directors and senior officers of the Group;
- (c) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances;
- (d) reviewing and making recommendations to the Board on compensation-related issues; and
- (e) reviewing and recommending (i) the director's service contracts of Mr. SUM Pui Ying, Ms. CUI Yueming and Mr. LI Hongbo and (ii) the appointment letter of Mr. DENG Wei.

Principles of remuneration policy

The principles of the Group's remuneration policy:

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

Corporate Governance Report

Remuneration structure

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

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

Audit Committee

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

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

The major roles of the Audit Committee include the following:

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

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

- The Audit Committee assisted the Board in assuring the integrity of the Company’s financial statements. It evaluated and made recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgment, compliance with Hong Kong Financial Reporting Standards and other legal requirements, and the results of external audit. It reviewed interim and annual financial statements of the Company, reported its work and findings to the Board and made recommendations on specific actions or decision for the Board to consider after each Audit Committee’s meeting. Minutes of the Audit Committee’s meetings were kept by the Company Secretary and made available to all Directors.

Corporate Governance Report

- 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 56 to 61 of this annual report.
- The Audit Committee was required to ensure that the risk management and internal control systems of the Group were in place for identifying and managing risks. The Audit Committee had reviewed the risk management and internal control systems (which, for this purpose, also covered the environmental, social and governance risk management and internal control systems) of the Group and the effectiveness of the Group's internal audit function for the Year. The process used in such review includes discussions with management on risk areas identified by management and principal divisions of the Group, and review of findings and/or reports arising from internal and external audits. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate for the year ended 31 December 2016. The management's confirmation was endorsed by the Audit Committee and submitted to the Board.
- The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions.

CORPORATE GOVERNANCE FUNCTIONS

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

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



Corporate Governance Report

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

- review of the compliance with the CG Code; and
- review of the effectiveness of the risk management and internal control systems of the Group through the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group’s risk management and internal control systems, including but not limited to the Group’s ability to cope with its business transformation and changing external environment; the scope and quality of management’s review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures 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 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.

Corporate Governance Report

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.

(a) Convening a general meeting on requisition by shareholders of the Company

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

The written request must:

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

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

Corporate Governance Report

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.

(b) 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.

(c) 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

(d) Proposing Directors for election at general meetings

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

Constitutional documents

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for the preparation of the financial statements of the Company for each financial year, which should give a true and fair view of the state of affairs, results and cash flow of the Group for that year in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the Year, the Directors adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations.

The financial statements for the Year have been prepared by the Directors on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the external auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "Independent Auditor's Report" on pages 56 to 61 in this annual report.

Auditors' Remuneration

The Board, based on the recommendation of the Audit Committee, approved the appointment of BDO Limited ("**BDO**") as the Group's external auditor to perform audit services for the Group for the Year. During the Year, total fees paid to BDO amounted to HK\$3,201,000, of which HK\$1,306,000, or approximately 41%, were fees for non-audit services. Details of such non-audit services and the related amount are as follows.

Review of interim financial information for the six months ended 30 June 2016	HK\$780,000
Other reporting services in respect of the Group's acquisition, very substantial transaction and major transaction	HK\$526,000



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

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

Environmental, Social and Governance Report

To comply with the requirements set forth in Appendix 27 Environmental, Social and Governance (“**ESG**”) Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**ESG Guide**”), Gemini Investments (Holdings) Limited (the “**Company**”, and together with its subsidiaries, “**We**”, “**our**” and “**our Group**”) hereby presents this Environmental, Social and Governance report (“**ESG report**”) for the year ended 31 December 2016.

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

A. ENVIRONMENTAL

A1. Emissions

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

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

We strive to reduce, reuse and recycle throughout our operations to minimize the disposal of waste to the landfill. We also provide appropriate facilities in our offices and engage our employees to facilitate source separation and waste recycling.

There were no non-compliance cases noted in relation to environmental laws and regulations for the year ended 31 December 2016.

Environmental, Social and Governance Report

A2. Use of Resources

Our Group conserves resources for environmental and operating efficiency purposes. To pursue our environmental commitment, we implement various initiatives throughout our operations such as deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department, minimising the use of paper, reducing water consumption and driving behavioural changes of employees. Through actively monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints.

A3. The Environment and Natural Resources

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

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

B. SOCIAL

B1. Employment

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

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

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

There were no non-compliance cases noted in relation to employment laws and regulations for the year ended 31 December 2016.

Environmental, Social and Governance Report

B2. Health and Occupational Safety

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

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

There were no non-compliance cases noted in relation to health and safety laws and regulations during the year ended 31 December 2016.

B3. Development and Training

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

B4. Labour Standards

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

There were no non-compliance cases noted in relation to labour standards laws and regulations during the year ended 31 December 2016.

B5. Supply Chain Management

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

Environmental, Social and Governance Report

B6. Product Responsibility

Responsible Investment

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

Data Privacy

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

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

There were no non-compliance cases noted in relation to our investment practices and data privacy during the year ended 31 December 2016.

B7. Anti-corruption

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

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



Environmental, Social and Governance Report

There were no non-compliance cases noted in relation to corruption related laws and regulations during the year ended 31 December 2016.

B8. Community Investment

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

Independent Auditor's Report



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
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 (together the "Group") set out on pages 62 to 144, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Interests in a joint venture

(Refer to Note 17 to the consolidated financial statements)

The Group's interests in the joint venture, Gemini-Rosemont Realty LLC ("Gemini-Rosemont"), is accounted for under the equity method. The Group's share of the profit after tax and other comprehensive income from Gemini-Rosemont for the year ended 31 December 2016 was HK\$74,333,000 and the Group's share of Gemini-Rosemont's net assets was HK\$985,149,000 as at 31 December 2016.

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

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

Our response:

Gemini-Rosemont is a significant joint venture of the Group. We have carried out in-depth discussion with the component auditor and issue audit instructions to them for our audit approach including audit risk assessment. We involved with the audit of component auditor by reviewing their working papers and discussing with them the results of their findings. Together with the reporting to us by the component auditor in accordance with our instructions, we have determined that the audit work performed and evidence obtained were sufficient for our audit purpose. We have interviewed with the Group's management and have discussed with them and evaluated any probable impacts on the Group's consolidated financial statements of the key audit matters relating to Gemini-Rosemont (i.e. the valuation of investment properties).

Independent Auditor's Report

The procedures performed on the valuation of investment properties included:

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

Impairment of available-for-sale investments

(Refer to Note 18 to the consolidated financial statements)

As at 31 December 2016, the carrying amount of the Group's available-for-sale investments was HK\$2,223,958,000 which included unlisted fund investments amounted to HK\$1,739,137,000. The unlisted fund investments are measured at cost less any identified impairment losses at the end of the reporting period.

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

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

Our response:

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

- We obtained an understanding of impairment assessment processes carried out by management.
- We assessed any indication of impairment of the unlisted fund investments, and assessing whether impairment provision is required.

Independent Auditor's Report

- We discussed with the Group's management and the investment managers of the unlisted funds to understand the details of investment portfolios held by the funds, the valuation methodologies adopted by the investment managers to estimate the fair value of the investment portfolios and the key assumptions and inputs used in the valuation.
- We considered the appropriateness and reasonableness of the information as mentioned in the foregoing paragraph in the valuation based on our knowledge of the relevant industry.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

Independent Auditor's Report

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report

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

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

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

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

BDO Limited

Certified Public Accountants

Chow Tak Shing, Peter

Practising Certificate Number P04659

Hong Kong, 28 February 2017

Consolidated Income Statement

For the year ended 31 December 2016

		2016	2015
	Notes	HK\$'000	HK\$'000
Sales proceeds from disposal of financial instruments held for trading	4	397,398	736,687
Revenue	5	83,097	22,633
Other income	6	44,008	15,776
Employee costs		(17,529)	(23,350)
Share-based compensation	7	(728)	(5,264)
Depreciation		(1,143)	(1,785)
Other expenses		(48,169)	(36,650)
Gain/(loss) arising from changes in fair value of financial instruments held for trading		5,953	(40,111)
Gain arising from changes in fair value of investment properties	15	28,402	9,728
Gain on disposal of available-for-sale investment		—	5,084
Share of results of joint ventures	17	(86,218)	(988,290)
Loss on disposal of a subsidiary	27	(7,388)	—
Finance costs	8	(248,394)	(90,780)
Loss before income tax	9	(248,109)	(1,133,009)
Income tax	10	(5,269)	(2,238)
Loss for the year		(253,378)	(1,135,247)
Loss for the year attributable to:			
Owners of the Company		(253,378)	(1,135,247)
Losses per share for loss attributable to owners of the Company	13		
— Basic (HK dollar)		(0.56)	(2.52)
— Diluted (HK dollar)		N/A	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

		2016	2015
	Notes	HK\$'000	HK\$'000
Loss for the year		(253,378)	(1,135,247)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
— Change in fair value of available-for-sale investments		(5,272)	(6,505)
— Exchange differences arising on translation of foreign operations		(949)	(967)
— Share of other comprehensive income of joint ventures	17	(12,039)	(61,344)
— Release of exchange reserve upon disposal of a subsidiary	27	73,406	—
Other comprehensive income for the year		55,146	(68,816)
Total comprehensive income for the year		(198,232)	(1,204,063)
Total comprehensive income attributable to:			
Owners of the Company		(198,232)	(1,204,063)

Consolidated Statement of Financial Position

As at 31 December 2016

		2016	2015
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties	15	713,052	528,275
Property, plant and equipment	16	2,243	3,384
Interests in joint ventures	17	985,149	2,167,916
Available-for-sale investments	18	2,223,958	2,207,382
Loan receivables	19	604,031	573,504
		4,528,433	5,480,461
Current assets			
Deposits, prepayments and other receivables		7,426	14,059
Deposits paid for acquisition of properties held for resale		50,023	—
Loan receivables	19	47,611	26,393
Amount due from a fellow subsidiary	20	665	—
Financial instruments held for trading	21	170,645	155,825
Short-term bank deposits	22	440,314	214,576
Bank balances and cash	22	681,126	636,918
		1,397,810	1,047,771
Current liabilities			
Other payables and accrued charges		36,267	39,178
Amount due to a fellow subsidiary	20	—	65,880
Taxation payable		123	102
Borrowings	23	272,513	863,333
		308,903	968,493
Net current assets		1,088,907	79,278
Total assets less current liabilities		5,617,340	5,559,739

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	24	184,881	184,881
Reserves	25	3,649,311	3,771,465
Total equity		3,834,192	3,956,346
Non-current liabilities			
Borrowings	23	1,776,477	1,601,625
Deferred tax liabilities	28	6,671	1,768
		1,783,148	1,603,393
Total equity and non-current liabilities		5,617,340	5,559,739

The financial statement on pages 62 to 144 were approved and authorised for issue by the Board of Directors on 28 February 2017 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 2016

	Share capital (Note 24)	Convertible preference shares reserve (Note 26)	Capital contribution	Share option reserve	Available-for-sale financial assets reserve	Translation reserve	Retained profits/(Accumulated losses)	Attributable to owners of the Company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015	180,658	3,898,698	22,300	23,172	(12,233)	14,007	180,444	4,307,046
Other comprehensive income								
— Change in fair value of available-for-sale investments	—	—	—	—	(6,505)	—	—	(6,505)
— Exchange difference arising on translation of foreign operations	—	—	—	—	—	(967)	—	(967)
— Share of other comprehensive income of joint ventures	—	—	—	—	—	(61,344)	—	(61,344)
Loss for the year	—	—	—	—	—	—	(1,135,247)	(1,135,247)
Total comprehensive income for the year	—	—	—	—	(6,505)	(62,311)	(1,135,247)	(1,204,063)
Share-based compensation (Note 7)	—	—	—	5,264	—	—	—	5,264
Exercise of share options	4,223	—	—	(1,384)	—	—	—	2,839
Vested share options forfeited	—	—	—	(3,613)	—	—	3,613	—
Capital contribution through borrowings from parent (Note 23(f))	—	—	845,260	—	—	—	—	845,260
Balance at 31 December 2015 and 1 January 2016	184,881	3,898,698	867,560	23,439	(18,738)	(48,304)	(951,190)	3,956,346
Other comprehensive income								
— Change in fair value of available-for-sale investments	—	—	—	—	(5,272)	—	—	(5,272)
— Exchange difference arising on translation of foreign operations	—	—	—	—	—	(949)	—	(949)
— Share of other comprehensive income of joint ventures	—	—	—	—	—	(12,039)	—	(12,039)
— Release of exchange reserve upon disposal of a subsidiary (Note 27)	—	—	—	—	—	73,406	—	73,406
Loss for the year	—	—	—	—	—	—	(253,378)	(253,378)
Total comprehensive income for the year	—	—	—	—	(5,272)	60,418	(253,378)	(198,232)
Share-based compensation (Note 7)	—	—	—	728	—	—	—	728
Vested share options forfeited	—	—	—	(296)	—	—	296	—
Capital contribution through borrowings from parent (Note 23(b))	—	—	75,350	—	—	—	—	75,350
Balance at 31 December 2016	184,881	3,898,698	942,910	23,871	(24,010)	12,114	(1,204,272)	3,834,192

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

		2016	2015
	Notes	HK\$'000	HK\$'000
Cash flows from operating activities			
Loss before income tax		(248,109)	(1,133,009)
Adjustments for:			
Depreciation		1,143	1,785
(Gain)/loss arising from changes in fair value of financial instruments held for trading		(5,953)	40,111
Gain arising from changes in fair value of investment properties	15	(28,402)	(9,728)
Gain on disposal of available-for-sale investment		—	(5,084)
Loss on disposal of a subsidiary	27	7,388	—
Share-based compensation	7	728	5,264
Share of results of joint ventures	17	86,218	988,290
Finance costs	8	248,394	90,780
Interest income from bank deposits		(2,560)	(2,245)
Other interest income		(38,614)	(13,447)
Operating profit/(loss) before working capital changes		20,233	(37,283)
(Increase)/decrease in deposits and prepayments		(3,775)	4,401
Decrease in amount due from immediate holding company		—	2,910
Increase in financial instruments held for trading		(8,867)	(81,225)
Increase in amount due from a fellow subsidiary		(665)	—
Decrease in other payables and accrued charges		(2,453)	(35,561)
Cash generated from/(used in) operations		4,473	(146,758)
Income tax paid		(347)	(580)
Net cash generated from/(used in) operating activities		4,126	(147,338)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

		2016	2015
	Note	HK\$'000	HK\$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(2)	(2,269)
Consideration paid for acquiring investment properties		(156,264)	—
Deposit paid for acquiring properties held for resale		(50,023)	—
Acquisition of available-for-sale investments		(48,669)	(929,976)
Redemption of an available-for-sale investment		25,000	—
Return capital of an available-for-sale investment		1,707	—
Capital contributions to joint ventures		(408)	(1,441,267)
Distribution from joint ventures		22,805	10,150
Loans advanced to investee, trustee, joint venture, member of a joint venture		(53,623)	(599,897)
Loan repayment from a trustee		4,043	—
Net cash inflows from disposal of a subsidiary	27	1,131,379	—
Proceeds from disposal of an available-for-sale investment		—	31,333
Interest received		49,356	5,217
Net cash generated from/(used in) investing activities		925,301	(2,926,709)
Cash flows from financing activities			
New loan raised		100,000	2,744,135
Repayment of borrowings		(624,572)	(1,000,000)
Repayment of obligation under finance lease		(61)	(46)
Interest paid		(59,266)	(42,694)
Loan arrangement fee paid		(6,000)	—
(Repayment to)/advance from a fellow subsidiary		(65,880)	65,880
Proceeds from exercise of share options		—	2,839
Net cash (used in)/generated from financing activities		(655,779)	1,770,114
Net increase/(decrease) in cash and cash equivalents		273,648	(1,303,933)
Cash and cash equivalents at beginning of the year		851,494	2,157,863
Effect of foreign exchange rate changes		(3,702)	(2,436)
Cash and cash equivalents at end of the year		1,121,440	851,494
Analysis of the balances of cash and cash equivalents			
Short-term bank deposits		440,314	214,576
Bank balances and cash		681,126	636,918
		1,121,440	851,494

Notes to the Financial Statements

For the year ended 31 December 2016

1. GENERAL

Gemini Investments (Holdings) Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent is Grand Beauty Management Limited (“Grand Beauty”) (incorporated in British Virgin Islands) and its ultimate parent is Sino-Ocean Group Holding Limited (formerly known as “Sino-Ocean Land Holdings Limited”) (incorporated in Hong Kong and listed on the Stock Exchange). The addresses of its registered office and principal place of business of the Company are disclosed in the section of Corporate Information of the annual report.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries and joint ventures are set out in Notes 34 and 17 respectively.

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

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments has no material impact on the Group’s financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF HKFRSs (Continued)

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

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

Amendments to HKAS 7 – Disclosure Initiative

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

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

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF HKFRSs (Continued)

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

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF HKFRSs (*Continued*)

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to each performance obligation
- Step 5 : Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with customers (Clarifications to HKFRS 15)

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

Notes to the Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF HKFRSs (Continued)

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

HKFRS 16 – Leases

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

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

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements on pages 62 to 144 have been prepared in accordance with all applicable, HKFRSs, Hong Kong Accounting Standards and Interpretations and the requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 37.

(b) Basis of consolidation

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

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

(c) Subsidiaries

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

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for services provided in the normal course of business, net of discounts.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Fund management services income is recognised in the accounting period in which the services rendered, by reference to stage of completion of specific transaction and assessed on the basis of actual services provided as a proportion of the total services to be provided.

Dividend income from investments including financial asset at fair value through profit or loss is 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).

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition (Continued)

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) Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residue value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %
Leasehold improvements	60%
Motor vehicle	12 $\frac{1}{2}$ %

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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

(g) Impairment of tangible assets

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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).

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.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into FVTPL, loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL consist of financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is presented as gain or (loss) arising from changes in fair value of financial instruments held for trading line item in the consolidated income statement. Fair value is determined in accordance with the market bid price.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries, and a fellow subsidiary, other receivables, loan receivables, short-term bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated the unlisted equity investments and unlisted investments of which the Group has no power to govern or participate the financial and operating policies of the invested entities so as to obtain benefits from its activities, and does not intend to trade for short-term profit as available-for-sale investments.

Subsequent to initial recognition, available-for sale financial investments are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses, which are recognised in profit or loss.

For available-for-sale financial investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

For available-for-sale investment that is carried at fair value, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, other receivables and amounts due from subsidiaries and a fellow subsidiary, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the carrying amount is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and accrued charges, amount due to a fellow subsidiary and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

(ii) Financial liabilities and equity instruments (Continued)

Equity instruments

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

Dividend

Dividend payable is recognised when the dividend is appropriately authorised and is no longer at the discretion of the Company, which is the date when the declaration of the dividend is approved by the shareholders or when the dividend is declared.

For distribution of non-cash assets, dividend payable is measured at the fair value of the assets to be distributed. On the settlement of dividend payable, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

(iii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

(k) Taxation

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

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

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

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

(l) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessee

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms of the relevant lease.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) 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.

(o) 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.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Foreign currencies (Continued)

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

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

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

(p) Provision and contingent liabilities

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provision and contingent liabilities (Continued)

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.

(q) Retirement benefits costs

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

(r) 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.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

(b) (Continued)

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

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

The sales proceeds of the financial instruments held for trading by the Group (Note 21) disposed of during the years ended 31 December 2016 and 2015 amounted to approximately HK\$397,398,000 and HK\$736,687,000 respectively.

The changes in fair value of financial instruments held for trading by the Group throughout the years of 2016 and 2015, including gain or loss arising from disposal of those financial instruments and unrealised gain or loss from changes in fair value of those financial instruments, are presented as "Gain/loss arising from changes in fair value of financial instruments held for trading" in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION

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

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

1. Property investment and development — rental income from leasing of office properties and residential condominium, properties held for resale and through investment in fund, property development for sale of quality residential properties.
2. Securities and other investments — investing in various securities and generating investment income.
3. Fund investments — investing in various investment funds and generating investment income.
4. Investment in fund platform — provision of management and administration services for property development project and investing in real estate fund platform.

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

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2016

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

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2015

	Property investment and development HK\$'000 *(Represented)	Securities and other investments HK\$'000	Fund investments HK\$'000 *(Represented)	Investment in fund platform HK\$'000	Consolidated HK\$'000
Segment revenue	18,204	739,557	—	1,559	759,320
Less: Sales proceeds from disposal of financial instruments held for trading	—	(736,687)	—	—	(736,687)
Revenue as presented in consolidated income statement	18,204	2,870	—	1,559	22,633
Segment results	33,291	(35,028)	(3,368)	(979,828)	(984,933)
Interest income from bank deposits					2,245
Unallocated corporate expenses					(59,541)
Finance costs					(90,780)
Loss before income tax					(1,133,009)

* During the year ended 31 December 2015, the Group was involved in property development, through an investment in fund which was presented in the operating segment of fund investments. For the year ended 31 December 2016, the property development business was grouped with an existing business segment, "Property investment", to represent as a new segment "Property investment and development" in order to have much accurate presentation on resource allocation and performance assessment.

Except for the inclusion of sales proceeds from disposal of financial instruments held for trading in the segment revenue of securities and other investments reported to the chief operating decision makers, the accounting policies of the Group's operating segments under HKFRS 8 are the same as the Group's accounting policies.

Segment result represents the profit or loss by each segment without allocation of interest income from bank deposits, unallocated corporate expenses (including central administration costs, share-based compensation and directors' remuneration) and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (Continued)

(a) Segment assets and liabilities

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

	2016	2015
	HK\$'000	HK\$'000
		*(Represented)
Assets		
Segment assets		
— Property investment and development	968,578	727,493
— Securities and other investments	758,581	711,734
— Fund investments	2,141,775	2,115,791
— Investment in fund platform	1,458,852	2,577,694
Unallocated assets	598,457	395,520
Consolidated total assets	5,926,243	6,528,232
Liabilities		
Segment liabilities		
— Property investment and development	9,087	4,593
— Securities and other investments	12,023	5,401
— Fund investments	48	48
— Investment in fund platform	12,068	16,507
Unallocated liabilities	2,058,825	2,545,337
Consolidated total liabilities	2,092,051	2,571,886

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

Segment liabilities included all liabilities are allocated to operating segments other than tax payable, borrowings, amount due to a fellow subsidiary and unallocated other payables.

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

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (Continued)

(a) Segment assets and liabilities (Continued)

For the year ended 31 December 2016

Other segment information

	Property investment and development	Securities and other investments	Fund investments	Investment in fund platform	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interests in joint ventures	—	—	—	985,149	985,149
Gain arising from changes in fair value of investment properties	28,402	—	—	—	28,402
Gain arising from changes in fair value of financial instruments held for trading	—	5,953	—	—	5,953
Loss on disposal of a subsidiary	—	—	—	(7,388)	(7,388)
Share of results of joint ventures	—	—	—	(86,218)	(86,218)

For the year ended 31 December 2015

Other segment information

	Property investment and development	Securities and other investments	Fund investments	Investment in fund platform	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Interests in joint ventures	—	—	—	2,167,916	2,167,916
Gain arising from changes in fair value of investment properties	9,728	—	—	—	9,728
Loss arising from changes in fair value of financial instruments held for trading	—	(40,111)	—	—	(40,111)
Gain on disposal of available-for-sale investment	—	5,084	—	—	5,084
Share of results of joint ventures	—	—	—	(988,290)	(988,290)

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

The Group's revenue from external customers and its non-current assets, other than financial instruments and interests in joint ventures, by geographical location of the assets regarding its operations are detailed below:

	Revenue from external customers		Non-current assets other than financial instruments and interests in joint ventures	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	10,341	10,057	353,423	328,539
The US	13,132	8,881	361,866	203,093
The PRC	—	1,559	6	27
Others*	59,624	2,136	—	—
	83,097	22,633	715,295	531,659

* For the year ended 31 December 2016, included in Others was dividend income of HK\$35,813,853 and HK\$23,295,590 received from investment funds which are operated in Cayman Islands.

(c) Information about major customers

For the year ended 31 December 2016, there were two dividend income received from the Group's fund investment segment, each of whom contributed approximately 43% and 28% of the Group's total revenue. Dividend income derived from these fund investments during the year amounted to approximately HK\$35,814,000 and HK\$23,296,000 respectively. For the year ended 31 December 2015, the Group did not derive more than 10% of the Group's total revenue from any single customer.

6. OTHER INCOME

	2016	2015
	HK\$'000	HK\$'000
Bank interest income	2,560	2,245
Other interest income	38,614	13,447
Others	2,834	84
	44,008	15,776

Notes to the Financial Statements

For the year ended 31 December 2016

7. SHARE-BASED COMPENSATION

Equity-settled share option scheme of the Company:

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

Details of specific categories of options are as follows:

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

* The grant of 16,000,000 share options to Mr. Sum Pui Ying was approved by the Company's shareholders at the extraordinary general meeting held on 16 September 2013.

At the extraordinary general meeting on held 23 June 2011, the total number of shares in respect of which share options were approved to be granted under the Scheme shall not exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Such 10% equivalent to 44,550,000 shares of the Company's issued share capital. Since then, the Company has granted 9,600,000 share options under the Scheme on 26 August 2011. These share options were vested on the same date and their fair value was HK\$5,579,000.

On 9 August 2013, the Company proposed to grant 35,400,000 share options under the Scheme (the "Options") to executive and non-executive directors and certain other employees of the Group.

Save for Options granted to Mr. Sum Pui Ying, one of the executive directors, all the other Options are not subject to vesting conditions. The grant of Options to Mr. Sum Pui Ying was approved by the Company's shareholders at the extraordinary general meeting held on 16 September 2013.

Notes to the Financial Statements

For the year ended 31 December 2016

7. SHARE-BASED COMPENSATION (*Continued*)

35,400,000 share options were granted on 9 August 2013 of which 19,400,000 share options and 4,000,000 share options were vested and exercisable on 9 August 2013 and 16 September 2013 respectively. Another 4,000,000 share options which were granted on 9 August 2013 were vested and exercisable on 9 August 2014. The fair value of the Options granted was HK\$21,993,000 in aggregate.

A further of 4,000,000 share options which were granted on 9 August 2013 were vested and exercisable on 9 August 2015. The rest of 4,000,000 share options which were granted on 9 August 2013 were vested and exercisable on 8 August 2016. A total of 16,000,000 share options had been vested in Mr. Sum Pui Ying as at 31 December 2016 (2015: 12,000,000 share options).

On 9 March 2015, the Company proposed to grant 5,000,000 share options under the Scheme to executive and non-executive directors and certain other employees of the Group. These share options were vested on the same date and their fair value was HK\$3,002,000.

The Group and the Company recognised share-based compensation of HK\$728,000 and HK\$5,264,000 for the years ended 31 December 2016 and 2015 respectively.

At 31 December 2016, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 37,410,000 (2015: 37,910,000), representing 8.30% (2015: 8.41%) of the shares of the Company in issue at that date.

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

Notes to the Financial Statements

For the year ended 31 December 2016

7. SHARE-BASED COMPENSATION (Continued)

Movement in share options are as follows:

	2016		2015	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Outstanding at 1 January	37,910,000	1.04	42,400,000	1.04
Granted	—	—	5,000,000	—
Exercised	—	—	(2,890,000)	0.98
Forfeited	(500,000)	—	(6,600,000)	—
Outstanding at 31 December	37,410,000	1.04	37,910,000	1.04
Exercisable at 31 December	37,410,000	1.04	33,910,000	1.05

The weighted average remaining contractual life of the share options outstanding at 31 December 2016 was approximately 4.47 years (2015: 5.48 years).

No share options were exercised during the year (2015: 2,890,000 number of shares exercised). The weighted market price at the date of exercise for shares options exercised during the year ended 31 December 2015 was HK\$1.86.

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Grant /Approve on	9 March 2015	9 August 2013 & 16 September 2013		26 August 2011
		Share price at grant date	HK\$1.27	
Exercise price	HK\$1.27	HK\$0.96	HK\$1.40	
Expected volatility	68.17%	59.36%-62.36%	51.33%	
Expected life	6.29 year	7.87 and 7.77 year	9.82 years	
Risk-free rate	1.45%	1.823%-1.851%	1.73%	
Expected dividend yield	2.33%	0%	3.64%	

The underlying expected volatility was determined by reference to historical data, calculated based on the expected life of share options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

Notes to the Financial Statements

For the year ended 31 December 2016

8. FINANCE COSTS

	2016	2015
	HK\$'000	HK\$'000
Interest on bank and other borrowings	59,266	45,288
Imputed interest expense on Other Borrowings (Notes 23 (b), (c) & (e))	186,059	43,236
Others	3,069	2,256
	248,394	90,780

9. LOSS BEFORE INCOME TAX

	2016	2015
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging and (crediting):		
Auditor's remuneration		
— current year	3,331	1,989
— underprovision in the prior year	295	198
	3,626	2,187
Gross rental income from investment properties	(21,678)	(18,204)
Direct operating expenses arising from investment properties that generated rental income	6,395	4,045
Direct operating expenses arising from investment properties that did not generated rental income	227	—
	(15,056)	(14,159)
Dividend income from financial instruments held for trading	(2,309)	(2,870)
Interest income from investments	(53)	(101)
Net foreign exchange loss	5,863	16,202
Rental payments in respect of properties under operating leases	5,037	4,542
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	776	838

Notes to the Financial Statements

For the year ended 31 December 2016

10. INCOME TAX

	2016	2015
	HK\$'000	HK\$'000
The taxation attributable to the Group's operation comprises:		
Current tax		
Hong Kong Profits Tax	428	550
Over provision in prior years		
Hong Kong Profits Tax	(60)	(80)
	368	470
Deferred tax (Note 28)	4,901	1,768
Income tax	5,269	2,238

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Overseas tax is calculated at the rates applicable in the respective jurisdictions in which the Group operates. No income tax outside Hong Kong was provided for the year as the Group has no estimated assessable profit (2015: Nil).

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

	2016	2015
	HK\$'000	HK\$'000
Loss before income tax	(248,109)	(1,133,009)
Tax calculated at the income tax rate applicable to losses in the respective jurisdictions	(34,112)	(182,118)
Tax effect of expenses not deductible for tax purpose	44,630	21,855
Tax effect of income not taxable for tax purpose	(24,627)	(5,632)
Tax effect of share of results of joint ventures	10,707	159,896
Tax effect of unrecognised tax loss	5,391	7,985
Tax effect on temporary difference not recognised	(1,561)	(1,431)
Tax effect on tax losses being utilised	—	(5)
Over-provision in respect in prior years	(60)	(80)
Withholding tax	4,901	1,768
Income tax expense	5,269	2,238

Notes to the Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' EMOLUMENTS

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

	Li Ming	Sum Pui Ying	*Cui Yueming	Lai Kwok Hung, Alex	Li Hongbo	Law Tze Lun	Lo Woon Bor, Henry	[^] Deng Wei	^Δ Zheng Yun	*Li Zhenyu	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2016											
Fees	–	180	180	180	180	180	180	168	11	–	1,259
Other emoluments											
– Salaries and other benefits	32	4,761	32	1,194	32	32	32	30	2	–	6,147
– Share-based compensation (Note a)	–	727	–	–	–	–	–	–	–	–	727
– Contributions to retirement benefits schemes	–	271	–	115	–	–	–	–	–	–	386
Total emoluments	32	5,939	212	1,489	212	212	212	198	13	–	8,519
2015											
Fees	–	180	123	180	180	180	180	–	180	57	1,260
Other emoluments											
– Salaries and other benefits	29	3,814	20	1,084	29	29	29	–	29	435	5,498
– Share-based compensation (Note a)	–	2,262	592	317	317	–	–	–	–	–	3,488
– Contributions to retirement benefits schemes	–	208	–	105	–	–	–	–	–	–	313
Total emoluments	29	6,464	735	1,686	526	209	209	–	209	492	10,559

- * resigned on 25 April 2015
- # appointed on 25 April 2015
- Δ resigned on 25 January 2016
- ^ appointed on 25 January 2016

Notes to the Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' EMOLUMENTS (Continued)

Notes:

- (a) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in Note 3(j) to the financial statements. Further details of the options granted as set out in Note 7 to the financial statements.
- (b) No directors waived any emoluments for each of the years ended 31 December 2015 and 2016.

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the years ended 31 December 2015 and 2016.

12. FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals for the year include two (2015: two) directors whose emoluments are reflected in Note 11. The emoluments of the remaining three (2015: three) highest paid individuals are as follows:

	2016	2015
	HK\$'000	HK\$'000
Salaries and other benefits	2,290	2,866
Share-based payment	—	296
Contributions to retirement benefits schemes	229	202
	2,519	3,364

Their emoluments were within the following bands:

	2016	2015
	No. of employees	No. of employees
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	—	2

Notes to the Financial Statements

For the year ended 31 December 2016

12. FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

	2016	2015
	No. of individuals	No. of individuals
Nil to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$5,500,001 to HK\$6,000,000	1	—
HK\$6,000,001 to HK\$6,500,000	—	1

13. LOSSES PER SHARE

The calculation of the basic losses per share attributable to owners of the Company is based on the loss for the year of HK\$253,378,000 (2015: HK\$1,135,247,000) and the weighted average number of ordinary shares of 450,990,000 (2015: 449,825,753 ordinary shares) in issue during the year.

No adjustment has been made to basic losses per share amount presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of share options and convertible preference shares outstanding had an anti-dilutive effect on the basic losses per share amount presented.

14. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2015 and 2016, nor has any dividend been proposed since the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2016

15. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2016	2015
	HK\$'000	HK\$'000
Properties in Hong Kong	351,200	325,200
Properties in US	361,852	203,075
	713,052	528,275

Notes:

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

The fair values of the Group's investment properties, including office premises, villa which included carpark, residential properties and office building, which located in Hong Kong and the US as at 31 December 2016 and 2015 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 is a member of the Hong Kong Institute of Surveyors.

The revaluation of investment properties during the current year gave rise to a net gain arising from changes in fair value of HK\$28,402,000 (2015: HK\$9,728,000) which has been recognised in profit or loss. 88% (2015: 100%) of the investment properties of the Group were rented out under operating leases as at 31 December 2016.

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

	2016	2015
	HK\$'000	HK\$'000
At the beginning of the year	528,275	518,694
Additions	156,264	—
Exchange realignment	111	(147)
Gains on revaluation of investment properties	28,402	9,728
At the end of the year	713,052	528,275

Notes to the Financial Statements

For the year ended 31 December 2016

15. INVESTMENT PROPERTIES (Continued)

Office premises situated in Hong Kong were revalued on income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in lettable units of the properties as well as other lettings of similar properties in the same location. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusting to take into account the location of the properties.

The fair value of the residential properties and office building located in the US and the villa located in Hong Kong were 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 building compared to the recent sales. Higher premium for higher quality buildings will results in a higher fair value measurement.

The significant unobservable inputs into the valuation technique include:

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

Notes to the Financial Statements

For the year ended 31 December 2016

15. INVESTMENT PROPERTIES (Continued)

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

31 December 2016

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

Notes to the Financial Statements

For the year ended 31 December 2016

15. INVESTMENT PROPERTIES (Continued)

31 December 2015

Properties and location	Fair value as at 31 December 2015 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	325,200	Income capitalisation	Estimated rental value	HK\$45 – HK\$55 per month per square feet	The higher the rental value, the higher the fair value
			Discount rate	2.8% – 3.3%	The higher the discount rate, the lower the fair value
Residential properties situated in the US	203,075	Market comparison	Premium or discount quality of properties (e.g. view, level and condition of the properties)	0.3% – 7%	The higher the quality of properties with reference to comparables, the higher the fair value

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 January 2015	1,755	2,053	567	708	5,083
Exchange realignment	—	(17)	(7)	—	(24)
Additions	1,980	69	220	—	2,269
At 31 December 2015	3,735	2,105	780	708	7,328
Exchange realignment	—	(17)	(7)	—	(24)
Additions	—	—	2	—	2
At 31 December 2016	3,735	2,088	775	708	7,306
DEPRECIATION					
At 1 January 2015	1,053	693	343	89	2,178
Exchange realignment	—	(13)	(6)	—	(19)
Charged for the year	843	696	158	88	1,785
At 31 December 2015	1,896	1,376	495	177	3,944
Exchange realignment	—	(17)	(7)	—	(24)
Charged for the year	296	578	181	88	1,143
At 31 December 2016	2,192	1,937	669	265	5,063
NET BOOK VALUE					
At 31 December 2016	1,543	151	106	443	2,243
At 31 December 2015	1,839	729	285	531	3,384

Note:

At the end of the reporting period, the net book value of the equipment held under finance lease of the Group was HK\$90,210 (2015: HK\$135,000).

Notes to the Financial Statements

For the year ended 31 December 2016

17. INTERESTS IN JOINT VENTURES

	2016	2015
	HK\$'000	HK\$'000
Share of net assets other than goodwill	949,883	2,133,057
Goodwill	35,266	34,859
At the end of the year	985,149	2,167,916

	2016	2015
	HK\$'000	HK\$'000
At the beginning of the year	2,167,916	1,772,482
Capital contributions	408	1,455,218
Dividend distribution	(24,765)	(10,150)
Disposal (Note 27)	(1,060,153)	—
Share of post-acquisition losses and other comprehensive income	(98,257)	(1,049,634)
At the end of the year	985,149	2,167,916

As at 31 December 2016 and 2015, the Group has interests in the following significant joint ventures:

Name of joint venture	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Percentage of ownership interests/ voting rights		Principal activities
					2016	2015	
Sino Prosperity Real Estate Limited (Note (a))	Incorporated	Cayman Islands	PRC	Ordinary	—	50%	Investment holdings
Sino Prosperity Real Estate Advisor Limited (Note (a))	Incorporated	Cayman Islands	PRC	Ordinary	—	50%	Investment advisory
Gemini-Rosemont Realty LLC (Note (b))	Limited liability company	The US	The US	Class A membership interests*	45%	45%	Property investment & management
Rosemont WTC Denver GPM LLC (Note (b))	Limited liability company	The US	The US	Membership interests#	100%	100%	Property investment & management
Rosemont Diversified Portfolio II LP (Note (b))	Limited partnership	The US	The US	Limited partnership interests#	37.19%	37.19%	Property investment & management

* Class A membership interests represent the interests have control over the joint venture

Membership interests and limited partnership interests are non-controlling interests

Notes to the Financial Statements

For the year ended 31 December 2016

17. INTERESTS IN JOINT VENTURES (*Continued*)

Under HKFRS 11, these joint arrangements are classified as joint ventures and have been included in the consolidated financial statements of the Group using the equity method.

Notes:

- (a) On 31 December 2014, Sino Prosperity Real Estate Limited acquired a group of companies which are holding certain PRC property projects and a business of providing upfitting and decoration services in the PRC.

On 19 May 2016, the Company entered into a sales and purchase agreement to dispose of its 50% equity interest in Sino Prosperity Real Estate Limited and Sino Prosperity Real Estate Advisor Limited through the wholly-owned subsidiary, Chance Bright Limited ("Chance Bright") at a loss of HK\$7,388,000, more details of which are set out in Note 27 to the financial statements.

During the year ended 31 December 2016, the Group share the post-acquisition loss and other comprehensive income of Sino Prosperity Real Estate Limited and Sino Prosperity Real Estate Advisor Limited of approximately US\$22,245,000 (equivalent to approximately HK\$172,591,000) (2015: US\$138,783,000 (equivalent to approximately HK\$1,075,742,000)) in aggregate.

- (b) On 31 December 2014, the Group entered into the purchase, sale and contribution agreement (the "Agreement") with Neutron Property Fund Limited (the "Property Fund"), Gemini-Rosemont JV Member LLC, Garfield Group Partners LLC and Rosemont Realty, LLC ("Rosemont") to subscribe for 45%, 30%, 18.423%, 5.577% and 1% membership interests respectively in Gemini-Rosemont Realty LLC ("Gemini-Rosemont"), a limited liability company incorporated in the State of Delaware. Gemini-Rosemont acquired the businesses, assets and liabilities of Rosemont (excluding certain equity interests owned directly by Rosemont which are not transferred to Gemini-Rosemont) and the limited partnership interests in the limited partnerships of Rosemont (together with a promissory note evidencing a loan advance from Lone Rock Holdings, LLC ("Lone Rock"), one of the controlling shareholders of Rosemont, to Rosemont Dallas NCX LP, a wholly-owned subsidiary of Rosemont) owned by Lone Rock. The consideration is US\$69,152,000 (equivalent to approximately HK\$536,234,000) in which US\$9,598,000 (equivalent to approximately HK\$74,416,000) was the directly attributable costs related to the transaction.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

17. INTERESTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

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

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

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

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

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

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

For the year ended 31 December 2016, the Group shared the post-acquisition profits and other comprehensive income of Gemini-Rosemont, Denver GPM LLC and Portfolio II LP amounted to US\$6,200,000, US\$523,000 and US\$2,862,000 respectively (equivalent to approximately HK\$48,076,000, HK\$4,056,000 and HK\$22,202,000 respectively) (2015: US\$1,359,000, US\$246,000 and US\$1,762,000 respectively (equivalent to approximately HK\$10,536,000, HK\$1,915,000 and HK\$13,657,000 respectively)).

For the year ended 31 December 2016, the Group received the dividend distribution from Denver GPM LLC and Portfolio II LP amounted to US\$445,000 and US\$2,747,000 respectively (equivalent to approximately HK\$3,453,000 and HK\$21,312,000 respectively) (2015: US\$323,000 and US\$987,000 respectively (equivalent to approximately HK\$2,502,000 and HK\$7,648,000 respectively)).

Notes to the Financial Statements

For the year ended 31 December 2016

17. INTERESTS IN JOINT VENTURES (*Continued*)

The summarised financial information in respect of those significant joint ventures are as follows:

<i>Sino Prosperity Real Estate Limited</i>	2016	2015
	HK\$'000	HK\$'000
As at 31 December		
Current assets	—	24,438,218
Non-current assets	—	407,070
Current liabilities	—	(17,371,585)
Non-current liabilities	—	(4,869,820)
Net assets	—	2,603,883
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	—	1,073,461
Current financial liabilities (excluding trade and other payables and provisions)	—	(1,782,166)
Non-current financial liabilities (excluding trade and other payables and provisions)	—	(4,451,550)
Year ended 31 December		
Revenue	—	9,210,544
Loss for the year	—	(2,024,225)
Other comprehensive income	—	(122,693)
Total comprehensive income	—	(2,146,918)
<i>Included in the above amounts are:</i>		
Depreciation	—	(3,673)
Interest income	—	9,618
Interest expenses	—	(53,540)
Income tax credit	—	82,854
<i>Reconciled to the Group's interest in joint venture:</i>		
Gross amounts of Sino Prosperity Real Estate Limited's net assets	—	2,603,883
Non-controlling interests	—	(133,915)
Group's share of Sino Prosperity Real Estate Limited's net assets	—	2,469,968
	—	1,234,984

Notes to the Financial Statements

For the year ended 31 December 2016

17. INTERESTS IN JOINT VENTURES (Continued)

<i>Sino Prosperity Real Estate Advisor Limited</i>	2016	2015
	HK\$'000	HK\$'000
As at 31 December		
Current assets	—	5,705
Non-current assets	—	157
Current liabilities	—	(10,341)
Net assets	—	(4,479)
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	—	2,427
Current financial liabilities (excluding trade and other payables and provisions)	—	(9,929)
Year ended 31 December		
Revenue	—	—
Loss for the year	—	(4,572)
Other comprehensive income	—	5
Total comprehensive income	—	(4,567)
<i>Included in the above amounts are:</i>		
Depreciation and amortisation	—	203
<i>Reconciled to the Group's interest in joint venture:</i>		
Gross amounts of Sino Prosperity Real Estate Advisor Limited's net assets	—	(4,479)
Group's share of Sino Prosperity Real Estate Advisor Limited's net assets	—	(2,240)

Notes to the Financial Statements

For the year ended 31 December 2016

17. INTERESTS IN JOINT VENTURES (*Continued*)

<i>Gemini-Rosemont Realty LLC</i>	2016	2015
	HK\$'000	HK\$'000
As at 31 December		
Current assets	1,472,085	1,279,955
Non-current assets	13,277,030	12,294,984
Current liabilities	(3,535,781)	(1,859,982)
Non-current liabilities	(10,373,257)	(10,925,311)
Net assets	840,077	789,646
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	719,671	589,507
Non-current financial liabilities (including limited partner interest but excluding trade and other payables and provisions)	(10,373,257)	(10,925,311)
Current financial liabilities (excluding trade and other payables and provisions)	(2,840,042)	(1,406,908)
Year ended 31 December		
Revenue	1,801,972	671,976
Profit for the year	49,999	13,949
Other comprehensive income	—	—
Total comprehensive income	49,999	13,949
<i>Included in the above amounts are:</i>		
Depreciation and amortisation	(1,543)	(450)
Interest income	4,148	1,799
Interest expense	(585,733)	182,703
Income tax expense	(2,590)	—
<i>Reconciled to the Group's interest in joint venture:</i>		
Gross amounts of Gemini-Rosemont Realty LLC's net assets	840,077	789,646
Group's share of Gemini-Rosemont Realty LLC's net assets	949,883	900,313
Goodwill	35,266	34,859
Carrying amount in the consolidated financial statements	985,149	935,172

Notes to the Financial Statements

For the year ended 31 December 2016

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK\$'000	HK\$'000
Unlisted equity investments, at cost (Note (a))	105,492	107,313
Club debentures (Note (b))	3,669	—
Unlisted fund investments (Note (c))	2,115,127	2,100,399
Impairment loss on available-for-sale investments	(330)	(330)
	2,223,958	2,207,382

Notes:

- (a) (i) At the end of the reporting period, the unlisted equity investments included investments in unlisted equity securities issued by private entities incorporated outside Hong Kong amounted to HK\$13,505,000 (2015: HK\$15,212,000) after impairment provision, of which the Group holds less than 2% (2015: less than 2%) of the equity interest of the investee.
- (ii) At the end of the reporting period, the Group held 5% unlisted equity interest in a PRC entity amounted to Renminbi ("RMB") 1,500,000 (equivalent to approximately HK\$1,677,000) (2015: RMB1,500,000 (equivalent to approximately HK\$1,791,000)).
- (iii) At the end of the reporting period, the Group held 199 ordinary units and 14,285,316 of the class A units of A' Beckett Street Trust (the "Trust") and 199 trustee's ordinary shares in the capital of P'0006 A' Beckett Pty Ltd. (the "Trustee") amounted to Australian dollar ("A\$") 14,285,714 (equivalent to approximately HK\$89,980,000) (2015: A\$14,285,714 (equivalent to approximately HK\$89,980,000)). The objective of the Trust is to complete the proposed development of a residential complex on the parcel of land in Melbourne, Australia.

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

The above investments are measured at cost less impairment at the end of the reporting period because variability in the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

- (b) At the end of the reporting period, club debentures of HK\$3,669,000 (2015: Nil) were classified as available-for-sale investments which are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

Notes to the Financial Statements

For the year ended 31 December 2016

18. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes: (Continued)

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

	2016	2015
	HK\$'000	HK\$'000
At fair value (Notes (c)(i), (c)(ii) & (c)(iii))	375,990	361,262
At cost (Notes (c)(iv) & (c)(v))	1,739,137	1,739,137
	2,115,127	2,100,399

- (i) At the end of the reporting period, the Group held approximately 341,000 (2015: 418,000) participating redeemable preference shares ("Participating Shares") in an investment entity incorporated outside Hong Kong for diversifying the Group's securities investment risk and further enhance the rate of return of the Group's core business of securities investment. The fair value of the Participating Shares as at 31 December 2016 is approximately HK\$112,130,000 (2015: approximately HK\$139,309,000).
- (ii) At the end of the reporting period, the Group held approximately 141,000 (2015: 101,000) participating redeemable preference shares in a sub-fund of an investment entity incorporated in the Cayman Islands (the "Sub-Fund A"). The Sub-Fund A is focus on, but not limited to, Asia (excluding Japan) equity to generate positive returns in all market conditions. The fair value of participating redeemable preference shares of the Sub-Fund A as at 31 December 2016 is approximately HK\$154,978,000 (2015: approximately HK\$114,272,000).
- (iii) At the end of the reporting period, the Group also held approximately 110,000 (2015: 110,000) participating redeemable preference shares in another sub-fund of the above mentioned investment entity (the "Sub-Fund B"). The Sub-Fund B invested the collected funds to generate positive returns in all market conditions by employing multi-strategy investment approach, to invest on, but not limited to, Asia Pacific equity by employing bottom-up approach and to invest in both long and short term of different asset classes. The fair value of participating redeemable preference shares of the Sub-Fund B as at 31 December 2016 is approximately HK\$108,882,000 (2015: approximately HK\$107,681,000).
- (iv) At the end of the reporting period, the Group held approximately 1,012,000 (2015: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund, which incorporated in Cayman Islands and approximately 637,000 (2015: 637,000) non-redeemable, non-voting participating shares of an investment entity incorporated in the Cayman Islands (the "Private Equity Fund"). The carrying values of the investments in the Property Fund and the Private Equity Fund as at 31 December 2016 are approximately HK\$775,818,000 (2015: approximately HK\$775,818,000) and approximately HK\$500,506,000 (2015: approximately HK\$500,506,000) respectively.

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

Notes to the Financial Statements

For the year ended 31 December 2016

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

Notes: *(Continued)*

(c) *(Continued)*

(iv) *(Continued)*

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

As the equity investments in the Property Fund and the Private Equity Fund do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses.

- (v) On 3 November 2015, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement with Prosperity Risk Balanced Fund LP (the "PRB Fund"), pursuant to which the Group agreed to contribute commitments for a total amount of US\$60,000,000 (equivalent to approximately HK\$465,000,000) as a limited partner to PRB Fund. The amount of the Group's commitments represents 7.5% of the total commitments of US\$800,000,000 (equivalent to approximately HK\$6,200,000,000). As at 31 December 2016, the carrying value of the investments in the PRB Fund is approximately HK\$462,813,000 (2015: approximately HK\$462,813,000).

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

At the end of the reporting period, the Group has outstanding commitments to make capital contribution of approximately US\$285,000 (equivalent to approximately HK\$2,207,000) (2015: approximately US\$285,000 (equivalent to approximately HK\$2,187,000)).

Those investments as described in Notes (c)(i) to (c)(v) above are unlisted and the Group has no power to govern or participate the financial operating policies of the investment entities so as to obtain benefits from its activities. The Group does not intend to trade for short-term profit and the directors of the Company designated the unlisted investments as available-for-sale investments accordingly.

Notes to the Financial Statements

For the year ended 31 December 2016

19. LOAN RECEIVABLES

	2016	2015
	HK\$'000	HK\$'000
<i>Current:</i>		
Loans to a joint venture (Note (a))	26,395	26,393
Loan to the Trustee (Note (c))	21,216	—
	47,611	26,393
<i>Non-current:</i>		
Loans to a joint venture (Note (a))	411,989	368,207
Loan to investee (Note (b))	190,000	180,000
Loan to the Trustee (Note (c))	—	23,256
Loan to member of a joint venture (Note (d))	2,042	2,041
	604,031	573,504
	651,642	599,897

Notes:

- (a) As described in Note 17(b), a working capital facility of US\$10,000,000 was granted by the Group to Gemini-Rosemont, a joint venture on 31 December 2014.

As at 31 December 2016, loan receivables of approximately US\$3,404,000 (equivalent to approximately HK\$26,395,000) (2015: US\$3,404,000 (equivalent to approximately HK\$26,393,000)) in aggregate are due from the joint venture. These loans are unsecured, interest-bearing at 5% per annum and repayable on demand, therefore are classified under current assets at the end of the reporting period.

In addition, loan receivables of US\$53,125,000 (equivalent to approximately HK\$411,989,000) (2015: US\$47,500,000 (equivalent to approximately HK\$368,207,000)) in aggregate are due from the joint venture as at 31 December 2016. These loans are unsecured, interest-bearing at rates ranging from 5% to 6% per annum and repayable within 2020 and 2021 (2015: 2020), accordingly are classified as non-current assets at the end of the reporting period.

- (b) As at 31 December 2016, loan receivables of HK\$190,000,000 (2015: HK\$180,000,000) in aggregate are due from an investee. These loans are unsecured, interest-bearing at 6% per annum, repayable within 2018 and 2019 (2015: 2018) and guaranteed by the Property Fund, a member holds 30% class A membership interests in Gemini-Rosemont (Note 17(b)).
- (c) As at 31 December 2016, a loan receivable of A\$4,121,170 (equivalent to approximately HK\$21,216,000) (2015: A\$4,121,170 (equivalent to approximately HK\$23,256,000)) is due from the Trustee in relation to an available-for-sale investment (Note 18(a)(iii)). This loan is unsecured, interest-bearing at 10% per annum and repayable in 2017.
- (d) As at 31 December 2016, a loan receivable of US\$263,368 (equivalent to approximately HK\$2,042,000) (2015: US\$263,368 (equivalent to approximately HK\$2,041,000)) is due from a member holding class B membership interests in Gemini-Rosemont. This loan is secured, interest-bearing at 6% per annum and repayable in 2020.

Notes to the Financial Statements

For the year ended 31 December 2016

20. AMOUNTS DUE FROM/(TO) A FELLOW SUBSIDIARY

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

21. FINANCIAL INSTRUMENTS HELD FOR TRADING

	2016	2015
	HK\$'000	HK\$'000
Listed securities:		
— Equity securities listed in Hong Kong	—	10,606
— Equity securities listed in the US, Europe and Japan	160,286	138,958
Derivatives:		
— Forward exchange contracts and futures contracts	10,359	6,261
	170,645	155,825

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

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

22. OTHER FINANCIAL ASSETS

Other financial assets represent short-term bank deposits and bank balances and cash, comprise cash and deposits held by the Group with an original maturity of three months or less.

Bank balances and short-term bank deposits carry interest at market rates with average interest rate of 0.01% and 0.795% (2015: 0.01% and 1.86%) per annum respectively.

As at 31 December 2016, the Group had bank balances denominated in RMB amounted to approximately HK\$13,365,000 (2015: HK\$38,116,000), 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.

Notes to the Financial Statements

For the year ended 31 December 2016

23. BORROWINGS

The maturity profile of the borrowings is as follows:

	2016	2015
	HK\$'000	HK\$'000
<i>Current:</i>		
Obligation under finance lease	45	45
Bank and other loans		
— unsecured and repayable within 1 year (Notes (a) & (b))	272,468	863,288
	272,513	863,333
<i>Non-current:</i>		
Obligation under finance lease	25	71
Bank and other loans		
— unsecured and repayable after 1 year but within 2 years (Notes (a) & (c))	851,693	399,833
— unsecured and repayable after 2 years but within 5 years (Notes (a), (c) & (d))	448,667	758,270
— unsecured and repayable after 5 years (Note (e))	476,092	443,451
	1,776,477	1,601,625
	2,048,990	2,464,958

As 31 December 2016, the bank and other loans of the Group represented:

Notes:

- (a) As at 31 December 2016, a bank borrowing amounted to HK\$494,667,000, of which HK\$46,000,000 under non-current liabilities is repayable after 1 years but within 2 years and the remaining balance amounted to HK\$448,667,000 under non-current liabilities is wholly repayable after 2 years but within 5 years (2015: HK\$497,833,000, of which HK\$98,000,000 under current liabilities was repayable within 1 year, and the remaining balance amounted to HK\$399,833,000 under non-current liabilities was wholly repayable after 1 year but within 2 years). This bank borrowing is unsecured and bearing interest at floating rate. The average interest rate as at 31 December 2016 is 1.93% (2015: 2.07%) per annum.

Notes to the Financial Statements

For the year ended 31 December 2016

23. BORROWINGS (Continued)

Notes: (Continued)

- (b) On 12 August 2015, a borrowing amounted to US\$100 million (equivalent to approximately HK\$775,096,000) ("Other Borrowing I") was provided by Grand Beauty, an indirect wholly-owned subsidiary of Sino-Ocean Group Holding Limited, the ultimate parent of the Company. The Other Borrowing I was drawdown on 17 August 2015 ("Drawdown Date I"). The amount due is unsecured, wholly repayable in February 2016 and interest bearing at fixed rate of 2.04% per annum. On 17 February 2016 ("the Extension Date"), the maturity date of the Other Borrowing I was extended to 16 February 2017.

The fair value of the Other Borrowing I on Drawdown Date I and the Extension Date were US\$95,113,000 (equivalent to approximately HK\$737,216,000) and US\$90,330,000 (equivalent to approximately HK\$703,869,000), respectively, which were determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisal, an independent professional valuer. The Other Borrowing I is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 13.06% per annum after the Drawdown Date I and 13.77% per annum after the Extension Date. On 28 June 2016, Other Borrowing I amounted to approximately US\$64,402,000 (equivalent to approximately HK\$499,733,000) was repaid. Imputed interest expense of approximately HK\$81,266,000 (2015: HK\$28,072,000) (Note 8) has been recognised in profit or loss for the year ended 31 December 2016. As at 31 December 2016 and 2015, the carrying value of the Other Borrowing I was HK\$272,468,000 and HK\$765,288,000 respectively, and was classified as repayable within 1 year under current liabilities accordingly.

The carrying value of Other Borrowing I as at the Extension Date was HK\$779,219,000. Due to this borrowing is provided by Grand Beauty, the difference between the carrying value and the fair value at the Extension Date of HK\$75,350,000 represented a capital contribution through borrowings from parent and was recognised in the consolidated statement of changes in equity and the Company's statement of changes in equity. On 10 February 2017, the maturity date of Other Borrowing I was further extended to 16 February 2018.

- (c) On 2 December 2015, a borrowing amounted to US\$125 million (equivalent to approximately HK\$968,870,000) ("Other Borrowing II") was provided by Grand Beauty. The Other Borrowing II was drawdown on 7 December 2015 ("Drawdown Date II"). The amount due is unsecured, wholly repayable in 2018 and interest bearing at fixed rate of 1.90% per annum.

The fair value of the Other Borrowing II on Drawdown Date II was US\$94,199,000 (equivalent to approximately HK\$730,129,000), which was determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisal, an independent professional valuer. The Other Borrowing II is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.24% per annum. Imputed interest expense of approximately HK\$72,151,000 (2015: HK\$3,075,000) (Note 8) has been recognised in profit or loss for the year ended 31 December 2016. As at 31 December 2016, the carrying value of the Other Borrowing II was HK\$805,693,000 (2015: HK\$733,204,000) and was classified as repayable after 1 year but within 2 years (2015: after 2 years but within 5 years) under non-current liabilities accordingly.

- (d) As at 31 December 2015, a PRC entrusted loan of RMB21 million (equivalent to approximately HK\$25,066,000) provided by Sino-Ocean Land Limited, a fellow subsidiary of the Group, which was unsecured, wholly repayable in 2019 and bearing interest at fixed rate of 7.34% per annum. The loan was classified as repayable after 2 years but within 5 years under non-current liabilities as at 31 December 2015. The entrusted loan was fully repaid on 2 June 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

23. BORROWINGS (Continued)

Notes: (Continued)

- (e) On 5 August 2015, a borrowing amounted to HK\$1,000 million ("Other Borrowing III") was provided by Grand Beauty, which is unsecured, wholly repayable in 2025 and interest bearing at fixed rate of 2.04% per annum. The Other Borrowing III was drawdown on 7 August 2015 ("Drawdown Date III").

The fair value of the Other Borrowing III on Drawdown Date III was HK\$431,361,000, which was determined based on the valuation using Hull White Interest Rate Model carried out by BMI Appraisal, an independent professional valuer. The Other Borrowing III is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.34% per annum. Imputed interest expense of approximately HK\$32,642,000 (2015: HK\$12,089,000) (Note 8) has been recognised in profit or loss for the year ended 31 December 2016. As at 31 December 2016, the carrying value of the Other Borrowing III was HK\$476,092,000 (2015: HK\$443,451,000) and was classified as repayable after 5 years under non-current liabilities accordingly.

- (f) As mentioned in Notes (b), (c) and (e), Other Borrowing I, II, III were recognised initially at fair value during the year ended 31 December 2015. Due to these borrowings were provided by Grand Beauty, any differences between the proceeds and their fair values represent capital contribution from Grand Beauty which was recognised in the consolidated statement of changes in equity and the Company's statement of changes in equity.

- (g) On 31 August 2015, the Group has entered into a facility agreement with Grand Beauty with the facility amount of US\$700 million (equivalent to approximately HK\$5,428,556,000). The facility has not been utilised as at 31 December 2016. The facility granted is unsecured, wholly repayable in 2020 and interest bearing at fixed rate of 2.04% per annum.

24. SHARE CAPITAL

	2016	2015
	HK\$'000	HK\$'000
Issued and fully paid:		
450,990,000 (2015: 448,100,000) ordinary shares	184,881	180,658
Exercise of share options	—	4,223
450,990,000 (2015: 450,990,000) ordinary shares	184,881	184,881

Notes to the Financial Statements

For the year ended 31 December 2016

25. RESERVES

THE GROUP

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

THE COMPANY

	Convertible preference shares reserves (Note 26)	Share options reserve	Capital contribution	Retained profits/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 January 2015	3,898,698	23,172	22,300	187,482	4,131,652
Share-based compensation (Note 7)	—	5,264	—	—	5,264
Exercise of share options	—	(1,384)	—	—	(1,384)
Vested share option forfeited	—	(3,613)	—	3,613	—
Capital contribution through borrowings from parent (Note 23 (f))	—	—	845,260	—	845,260
Profit for the year	—	—	—	49,991	49,991
At 31 December 2015 and 1 January 2016	3,898,698	23,439	867,560	241,086	5,030,783
Share-based compensation (Note 7)	—	728	—	—	728
Vested share option forfeited	—	(296)	—	296	—
Capital contribution through borrowings from parent (Note 23 (b))	—	—	75,350	—	75,350
Loss for the year	—	—	—	(1,469,541)	(1,469,541)
At 31 December 2016	3,898,698	23,871	942,910	(1,228,159)	3,637,320

Notes to the Financial Statements

For the year ended 31 December 2016

26. CONVERTIBLE PREFERENCE SHARES RESERVE

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

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

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

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

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

The CPSs' proceeds of HK\$3,900,000,000, net of professional expenses of HK\$1,302,000, was recognised as the convertible preference shares reserve as at 31 December 2015 and 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

27. DISPOSAL OF SUBSIDIARY

On 19 May 2016, the Company entered into a sales and purchase agreement to dispose of Chance Bright, a subsidiary of the Company, and assigned the benefits of all loans amounted to HK\$2,308,875,000 advanced by the Group to Xin Cai Global Holdings Limited at the cash consideration of approximately RMB970,000,000 (equivalent to approximately HK\$1,131,379,000). Chance Bright was an investment holding company and it directly held the 50% equity interest in two joint venture companies, being (i) Sino Prosperity Real Estate Limited (Note 17(a)) and (ii) Sino Prosperity Real Estate Advisor Limited (Note 17(a)). After the completion of disposal, Chance Bright would cease to be a subsidiary of the Company. The disposal of Chance Bright was completed on 28 June 2016. Details of the disposal were set out in the announcements of the Company dated 19 May 2016 and 28 June 2016 and the circular of the Company dated 10 June 2016.

The loss arising from the disposal was included as "Loss on disposal of a subsidiary" in the consolidated income statement and is calculated as follows:

	HK\$'000
Net liabilities disposed of:	
Interests in joint ventures (Note 17(a))	1,060,153
Prepayments	15
Amount due to an immediate holding company	(2,308,875)
	<hr/>
	(1,248,707)
Loss on disposal of a subsidiary:	
Consideration received	1,131,379
Net liabilities disposed of	1,248,707
Cumulative exchange differences in respect of the net assets of the disposed subsidiary reclassified from equity to profit or loss	(73,406)
Loan assignment	(2,308,875)
Direct expenses in relation to the disposal of a subsidiary	(5,193)
	<hr/>
	(7,388)
	<hr/> <hr/>
Satisfied by:	
Cash	1,131,379
	<hr/> <hr/>

An analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary is as follows:

	HK\$'000
Net cash inflow arising from disposal of a subsidiary:	
Cash consideration received	1,131,379
	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2016

28. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities arising from the withholding tax on interest income is as follows:

	2016	2015
	HK\$'000	HK\$'000
At January	1,768	—
Deferred taxation charged to:		
— Profit or loss (Note 10)	4,901	1,768
Exchange realignment	2	—
At 31 December	6,671	1,768

At the end of the reporting period, the Group had unused tax losses of approximately HK\$128,033,000 (2015: HK\$105,268,000) available for offset against future profits. The tax losses are subject to Hong Kong Inland Revenue Department final assessment. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

No deferred tax liability has been recognised on temporary differences of approximately HK\$14,288,000 (equivalent to approximately RMB11,279,000) (2015: HK\$15,559,000 (equivalent to approximately RMB12,379,000)) 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.

29. LEASES

Finance lease

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

29. LEASES (Continued)

Finance lease (Continued)

At 31 December 2015, the Group had obligation under finance lease repayable as follows:

	Minimum lease payments 2015	Interest 2015	Present value 2015
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	61	16	45
After 1 year but within 5 years	101	30	71
	<u>162</u>	<u>46</u>	<u>116</u>

Operating lease – the Group as lessee

At the end of reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	3,590	4,842
In the second to fifth year inclusive	–	3,203
	<u>3,590</u>	<u>8,045</u>

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

Notes to the Financial Statements

For the year ended 31 December 2016

29. LEASES (Continued)

Operating lease – the Group as lessor

Property rental income earned during the year is disclosed in Note 5. The properties held by the Group have committed tenants for the lease term ranging from 4 months to 6 years (2015: 6 months to 2 years) and rentals are fixed over the lease terms.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	30,655	13,013
In the second to fifth year inclusive	52,319	4,105
After 5 years	3,288	—
	86,262	17,118

30. CAPITAL COMMITMENTS

	2016	2015
	HK\$'000	HK\$'000
Capital contribution to a joint venture	—	353,765
Capital contribution to an unlisted investment (Note 18(c)(v))	2,207	2,187
Acquisition of properties held for resale located in the US	369,917	—
	372,124	355,952

31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme and other defined contribution retirement schemes for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The employees of the Company's subsidiaries established outside Hong Kong are members of a state-managed retirement scheme operated by respective governments. These subsidiaries are required to contribute certain percentage of basic payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme.

During the year ended 31 December 2016, the retirement benefits cost charged to the consolidated income statement of HK\$1,162,000 (2015: HK\$1,151,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

Notes to the Financial Statements

For the year ended 31 December 2016

32. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors (Note 11), for the year ended 31 December 2016 is HK\$8,519,000 (2015: HK\$10,559,000).

Other than the loan to a joint venture, amount due from/(to) a fellow subsidiary and borrowings as disclosed in respective notes and transactions disclosed below, the Group and the Company does not entered into any other transactions with related parties. The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in Note 11.

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

	Note	2016 HK\$'000	2015 HK\$'000
Transaction with parent:			
— Interest paid/payable		49,595	32,970
Transactions with fellow subsidiaries:			
— Rents paid		407	488
— Building management fee paid		41	49
		448	537
Transaction with a joint venture:			
— Agency fee paid		1,357	—
— Building management fee paid		72	—
— Other loan interest income	(a)	(25,016)	(2,927)
		(23,587)	(2,927)

Notes:

- a) As described in Note 17(b), a working capital facility of US\$10,000,000 was granted by the Group to Gemini-Rosemont, a joint venture on 31 December 2014. The interest income derived from this facility during the current year was approximately HK\$25,016,000 (2015: HK\$2,927,000). As at 31 December 2016, as described in Note 19(a), the facility was utilised approximately to US\$56,529,000 (equivalent to HK\$438,384,000) (2015: US\$50,904,000 (equivalent to HK\$394,600,000)).
- b) As described in Note 23(g), on 31 August 2015, the Group has entered into a facility agreement with Grand Beauty with the facility amount of US\$700 million (equivalent to approximately HK\$5,428,556,000). The facility has not been utilised as at 31 December 2016 and 2015. No interest expense arising from this facility during the current year (2015: Nil).

Notes to the Financial Statements

For the year ended 31 December 2016

33. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investments in subsidiaries	34	1,626,510	2,185,560
Amounts due from subsidiaries	34	2,951,490	4,495,714
		4,578,000	6,681,274
Current assets			
Deposits and prepayments		260	218
Amounts due from subsidiaries	34	974,427	767,300
Short-term bank deposits		155,231	109,013
Bank balances and cash		174,389	179,695
		1,304,307	1,056,226
Current liabilities			
Other payables and accrued charges		9,123	14,095
Amount due to a fellow subsidiary		—	65,880
Amounts due to subsidiaries		2,063	2,085
Borrowings		272,468	863,288
		283,654	945,348
Net current assets		1,020,653	110,878
Total assets less current liabilities		5,598,653	6,792,152
Capital and reserves			
Share capital	24	184,881	184,881
Reserves	25	3,637,320	5,030,783
Total equity		3,822,201	5,215,664
Non-current liabilities			
Borrowings		1,776,452	1,576,488
Total equity and non-current liabilities		5,598,653	6,792,152

On behalf of the directors

Sum Pui Ying
Director

Lai Kwok Hung, Alex
Director

Notes to the Financial Statements

For the year ended 31 December 2016

34. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	2015
	HK\$'000	HK\$'000
Unlisted shares, at cost	3,113	10
Deemed capital contribution (Note)	1,623,397	2,185,550
	1,626,510	2,185,560

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 2016 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK\$2,951,490,000 (2015: HK\$4,495,714,000) 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 2016, the principal amounts due from subsidiaries have been adjusted to their fair value with a corresponding amount of HK\$1,626,510,000 (2015: HK\$2,185,560,000) 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% (2015: 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 2016 and 2015 which in the opinion of the directors, materially affect the results or assets of the Group:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2016	2015	
				%	%	
Acute Sky Global Limited	BVI	The US	US\$1	100	100	Investment holding
Advance Favour International Limited	BVI	Hong Kong	US\$1	100*	100*	Investment holding
Bai Li Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Billion Thrive Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Chance Bright Limited	Cayman Island	Hong Kong	US\$1	—	100*	Investment holding
City Beyond Investments Limited	BVI	Hong Kong	US\$1	100*	100*	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2016

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2016	2015	
				%	%	
Dawn City Global II LLC	The US	The US	US\$11,984,263	100	100	Property Investment
Dawn City Global Limited	BVI	The US	US\$1	100	100	Investment holding
Dawn City Global LLC	The US	The US	US\$11,999,039	100	100	Investment holding
Eagle Rich Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Eminent Energy Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Fame Gate Developments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Flourish Day Global Limited	BVI	The US	US\$1	100	100	Investment holding
Forceful Basis Global Limited	BVI	The US	US\$1	100*	100*	Investment holding
Gemini Investment (HK) Limited	Hong Kong	Hong Kong	HK\$2	100*	100*	Securities investment and trading
Gemini Overseas Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Gemini Property (HK) Limited	Hong Kong	Hong Kong	HK\$1	100	100	Investment holding
Gemini-Rosemont Realty Holdings LLC	The US	The US	US\$68,359,945	100	100	Property Investment
Glorious City Global Limited	BVI	The US	US\$1	100	100	Investment holding
Glorious Field Investments Limited	BVI	Hong Kong, The US & Australia	US\$1	100	100	Investment holding
Grandeur New Global II LLC	The US	The US	US\$5,770,417	100	100	Property Investment
Grandeur New Global Limited	BVI	The US	US\$1	100	100	Investment holding
Grandeur New Global LLC	The US	The US	US\$5,781,559	100	100	Investment holding
Jade Lake Global Limited	BVI	The US	US\$1	100	—	Investment holding
Jet City Global Limited	BVI	The US	US\$1	100	100	Investment holding
Jet City Global LLC	The US	The US	US\$27,999	100	100	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2016

34. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2016	2015	
				%	%	
Jian Feng Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Jin Ying Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Joy Sky Capital Investment Limited	Hong Kong	Hong Kong	HK\$1	100*	100*	Investment holding
Keen Superior Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
King Advance Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
King Advance Investments Limited	Hong Kong	Hong Kong	HK\$1	100	100	Investment holding
Lead Charm Global Limited	BVI	The US	US\$1	100	—	Investment holding
Magic Gold Global Limited	BVI	The US	US\$1	100	100	Investment holding
Max Energy Development Limited	Hong Kong	Hong Kong	HK\$1	100*	100*	Investment holding
Ocean Wonder Global Limited	BVI	The US	US\$1	100	100	Investment holding
Plan Rosy Limited	BVI	The US	US\$1	100	100	Investment holding
Precise Bloom Limited	BVI	Hong Kong	US\$1	100	100	Property investment
River Thrive Global Limited	BVI	The US	US\$1	100*	100*	Investment holding
Rosefield Global Investments Limited	BVI	The US	US\$1	100	100	Investment holding
Rosemont Diversified Portfolio II LP Holdings LLC	The US	The US	US\$26,366,588	100	100	Investment holding
Rosemont WTC Denver GPM LLC Holdings LLC	The US	The US	US\$11,637,853	100	100	Property Investment
Sheng Mao Investments Limited	BVI	Hong Kong	US\$1	100*	100*	Investment holding
Shine Victory Global Limited	BVI	The US	US\$1	100	100	Investment holding
Shine Victory II LLC	The US	The US	US\$7,992,277	100	100	Property Investment
Shine Victory LLC	The US	The US	US\$8,003,257	100	100	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2016

34. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2016 %	2015 %	
Sinobliss Global Investments Limited	BVI	The US	US\$1	100	100	Investment holding
Soar Ocean Limited	BVI	The US	US\$1	100	100	Investment holding
Soar Profit Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Soar Talent Holdings Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Southcourt Operating Holdings LLC	The US	The US	US\$17,445,751	100	—	Investment holding
Southcourt Operating LLC	The US	The US	US\$17,294,384	100	—	Property investment
Spring Day Global Limited	BVI	The US	US\$1	100	—	Investment holding
Summer Bliss Global Limited	BVI	The US	US\$1	100*	100*	Investment holding
Sunray City Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Sunrose Global Limited	BVI	The US	US\$1	100	100	Investment holding
Swift Boom Investments Limited	BVI	Hong Kong	US\$1	100	100	Investment holding
Talent Elite Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Team Global Holdings Limited	BVI	The US	US\$1	100	—	Investment holding
Top Pavilion Limited	BVI	Hong Kong	US\$1	100	100	Leasing office premise
Ultimate Ventures Holdings Limited	BVI	Hong Kong	US\$1	100	100	Property investment
Ultra Beauty Global Advisory Limited	Hong Kong	Hong Kong	HK\$1	100	100	Property investment
Gemini-Rosemont New York LLC (formerly known as "535 AOA LLC")	The US	The US	US\$5,193,369	100	—	Property investment
539 AOA LLC	The US	The US	US\$1,290,174	100	—	Property investment
Ultra Beauty Global Limited	BVI	Hong Kong	US\$1	100	100*	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2016

34. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2016	2015	
				%	%	
杭州盛能投資諮詢有限公司*	PRC	PRC	US\$16,000	100	100	Investment holding
盛洋(北京)投資顧問有限公司#	PRC	PRC	RMB20,000,000	100	100	Investment holding and provision of fund management services

* Directly held by the Company

These companies established in the PRC are wholly owned foreign enterprises

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of borrowings (Note 23) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management reviews the capital structure regularly. As a part of this review, the management considers the cost of capital and the risks associated with the issued share capital and will balance the Group's overall capital structure through the payment of dividends or the issue of new debt.

The Group's overall strategy remains unchanged from prior year.

The gearing ratio of the Group at the end of reporting period was as follows:

	2016	2015
	HK\$'000	HK\$'000
Debt	2,048,990	2,464,958
Cash and cash equivalents	(1,121,440)	(851,494)
Net debt	927,550	1,613,464
Equity	3,834,192	3,956,346
Net debt to equity ratio	24.2%	40.8%

Notes to the Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2016	2015
	HK\$'000	HK\$'000
<i>Financial assets</i>		
Available-for-sale investments	2,223,958	2,207,382
FVTPL — Held for trading	170,645	155,825
Loans and receivables		
— Amount due to a fellow subsidiary	665	—
— Other receivables	2,440	10,542
— Loan receivables	651,642	599,897
— Short-term bank deposits	440,314	214,576
— Bank balances and cash	681,126	636,918
	4,170,790	3,825,140
<i>Financial liabilities at amortised cost</i>		
— Other payables and accrued charges	31,686	35,012
— Amount due to a fellow subsidiary	—	65,880
— Borrowings	2,048,990	2,464,958
	2,080,676	2,565,850

(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 risk (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.

Notes to the Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk management

Some of the Group's transactions were conducted in foreign currencies other than the functional currency of the operations to which they related. Certain bank balances and deposits of the Group are also denominated in foreign currencies other than the functional currency of the group entities. Hence, exposures to exchange rate fluctuations arise. The Group manages its foreign currency risks by constantly monitoring the movement of the foreign exchange rates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the operations to which they relate at the end of the reporting period is as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	1,221,203	855,102	1,078,855	1,566,321
RMB	19,705	16,216	—	—
Japanese Yen ("JPY")	15	88	—	—
A\$	73,445	74,910	—	—
British Pound ("GBP")	624	126,567	—	—
Euro ("EUR")	5,100	299	—	—
	1,320,092	1,073,182	1,078,855	1,566,321

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 Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk management (Continued)

Foreign currency sensitivity

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

The following table indicates the approximate change in the Group's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group have significant exposure at the end of the prior 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\$ or US\$ 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 2016 and a decrease /(an increase) in loss in 2015.

	2016		2015	
	Increase/ (decrease)		Increase/ (decrease)	
	in foreign exchange rate	Effect on profit or loss	in foreign exchange rate	Effect on profit or loss
		HK\$'000		HK\$'000
RMB against HK\$	10%	1,971	10%	1,622
	(10%)	(1,971)	(10%)	(1,622)
JPY against HK\$	10%	2	10%	8
	(10%)	(2)	(10%)	(8)
A\$ against HK\$	10%	7,345	10%	7,491
	(10%)	(7,345)	(10%)	(7,491)
GBP against HK\$	10%	62	10%	12,657
	(10%)	(62)	(10%)	(12,657)
EUR against HK\$	10%	510	10%	30
	(10%)	(510)	(10%)	(30)

Notes to the Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk management

The Group obtained financing through borrowings. As at 31 December 2016, the borrowings (Note 23) included the following:

- A bank loan bears interest on floating rates and will be wholly repayable in 2019.
- A loan from Grand Beauty bears interest at the rate of 2.04% per annum and will be wholly repayable in 2017.
- A loan from Grand Beauty bears interest at the rate of 1.9% per annum and will be wholly repayable in 2018.
- A loan from Grand Beauty bears interest at the rate of 2.04% per annum and will be wholly repayable in 2025.

Accordingly, the Group is exposed to cash flow interest risk for the bank loan bears at floating rates. The Group is exposed to fair value interest rate risk for the loans bear interest at fixed rates. The Group analyses its interest rate exposure on a dynamic basis, but the Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk.

The Group's bank balances and short-term bank deposits carry interest at market rates. In the opinion of the directors of the Company, the impact of the change in the interest rate on short-term bank deposits is negligible. Accordingly, the sensitivity analysis below only includes analysis on bank and other loans.

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments (representing variable rate bank borrowings as at 31 December 2016) 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 2016 would increase/decrease by HK\$2,473,000 (2015: HK\$2,489,000).

Notes to the Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS *(Continued)*

(e) Other price risks

The Group is exposed to price risk through its available-for-sale investments measured at fair value (Note 18(c)) and the investments held for trading (Note 21), comprising listed equity securities and derivatives measured at fair value at the end of the reporting period.

Listed equity securities held in the portfolio of available-for-sale investments have been chosen based on their growth potential and are monitored regularly for performance against expectations. The management also performed analysis of the nature of market risk associated with the equity securities held for trading, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group and located in different jurisdictions.

Price sensitivity

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

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period for the Group's available-for-sale investments at fair value and investments held for trading. A 10% increase or decrease is used as it represents management's assessment of the possible change in price of equity securities.

If the prices of the listed equity securities held in the portfolio of available-for-sale investments had been 10% higher/lower, the Group's other comprehensive income would increase/decrease by HK\$24,102,000 (2015: HK\$29,780,000) as a result of the changes in fair value of listed equity securities held in the portfolio of available-for-sale investments.

If the prices of the respective equity securities that are indexed to equity prices had been 10% higher/lower, the Group's loss for the year ended 31 December 2016 would increase/decrease by HK\$16,209,000 (2015: loss for the year would increase/decrease by HK\$14,956,000) as a result of the changes in fair value of financial instruments held-for-trading.

Notes to the Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (Continued)

(f) Credit risk management

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and investments is limited because directors consider that the counterparties are financially sound.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(g) Liquidity risk management

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Liquidity information

The following tables detail the Group's remaining contractual maturity for other non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Repayable on demand or less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2016						
Other payables and accrued charges	7,792	—	23,894	—	31,686	31,686
Borrowings	981	6,842	319,672	2,661,118	2,988,613	2,048,990
	8,773	6,842	343,566	2,661,118	3,020,299	2,080,676
31 December 2015						
Other payables and accrued charges	3,945	—	31,067	—	35,012	35,012
Amount due to a fellow subsidiary	65,880	—	—	—	65,880	65,880
Borrowings	50,887	7,123	1,269,411	2,213,191	3,540,612	2,464,958
	120,712	7,123	1,300,478	2,213,191	3,641,504	2,565,850

The interest rates and terms of repayment of the Group's borrowings were disclosed in Note 23 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS *(Continued)*

(h) Fair value of financial instruments

The Group followed HKFRS 7 Financial Instruments: Disclosures which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the statement of financial position

Certain available-for-sale investments and the financial instruments held for trading are measured subsequent to initial recognition at fair value, grouped into Level 2 and Level 1 respectively based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of those available-for-sale investments (Notes 18 (c)(i), (ii) & (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 2016, the fair values of available-for-sale investments and financial instruments held for trading are HK\$375,990,000 (2015: HK\$361,262,000) and HK\$170,645,000 (2015: HK\$155,825,000) respectively.

Other than set out in Notes 18 and 21, the fair values of other financial assets and all financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Notes to the Financial Statements

For the year ended 31 December 2016

37. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, which are described in Note 3, management has made various estimates and judgements which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and accounting judgements that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the financial statements are discussed below:

- (a) As described in Notes 3(e) and 15, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves estimates in market rental, rental yield and considers the latest completed transaction and information from current prices in an active market for similar properties. In relying on the valuation report, the directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.
- (b) The directors follow the guidance of HKAS 39 to review available-for-sale investments (Note 18) at the end of each reporting period to assess whether they are impaired. This determination requires significant judgement. In making this judgement, the directors evaluate the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

38. EVENT AFTER THE REPORTING PERIOD

On 27 January 2017, the Company entered into a capitalisation and subscription agreement with Grand Beauty for the issue of up to a maximum of 597,230,534 new convertible preference shares of the Company at a subscription price of HK\$3.0 each. The consideration for the issue of such convertible preference shares is by way of capitalisation of a total sum of approximately HK\$1,782.8 million (and the related accrued interest thereon) which represented part of the shareholder's loans owed by the Company to Grand Beauty. Such arrangement constituted a connected transaction of the Company under the Listing Rules and is still subject to, amongst others, approval by the independent shareholders of the Company and in respect of the issue of the convertible preference shares, the listing approval by the Stock Exchange. Details of the transaction are set out in the announcement of the Company dated 27 January 2017.

Details of Investment Properties

Investment property and address	Lot Number	Use	Total gross floor area (square feet)	Our Group's interest %	Government lease expiry/ Freehold
Unit 2310 to 2312 on 23rd Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	3,203	100%	2059 (renewable for a further term of 75 years)
Unit No. 2119 and 2120 of 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Certain parts or shares of and in Inland Lot No.8517	Office	2,930	100%	2055 (renewable for a further term of 75 years)
Unit 3701 on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	2,388	100%	2059 (renewable for a further term of 75 years)
Unit 3702A on 37th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	1,195	100%	2059 (renewable for a further term of 75 years)
Unit No. 2704 and 2705 of 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	Certain parts or shares of and in Inland Lot No.8517	Office	3,881	100%	2055 (renewable for a further term of 75 years)
Unit 3604B on 36th Floor, Tower Two Lippo Centre, No. 89 Queensway, Hong Kong	Certain parts or shares of and in Inland Lot No.8615	Office	2,412	100%	2059 (renewable for a further term of 75 years)
Units 26C, 28D, 29C, 30D and 32G, 15 William Street, New York, the US	N/A	Residential	3,860	100%	Freehold
Units 31F, 32F, 33E, 34G and 35E, 15 William Street, New York, the US	N/A	Residential	5,024	100%	Freehold
Units 16G, 20A, 20B, 21D, 25G, 26G, 34B, 35C, 37C and 38C, 15 William Street, New York, the US	N/A	Residential	8,501	100%	Freehold

Details of Investment Properties

Investment property and address	Lot Number	Use	Total gross floor area (square feet)	Our Group's interest %	Government lease expiry/ Freehold
531-537 Sixth Avenue, Manhattan, New York City, the US	N/A	Retail	14,056	100%	Freehold
539 Sixth Avenue, Manhattan, New York City, the US	N/A	Mixed	4,271	100%	Freehold
3211 Shannon Road, Durham, North Carolina, the US	N/A	Office	131,902	100%	Freehold
House No. 4 and Car Parking Space No. 4 of Cheung Sha, Lantau Island, New Territories, Hong Kong	Lot No. 239 in Demarcation District No. 331	Residential	1,473	100%	2047

Five-Year Financial Summary

For the year ended 31 December 2016

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December,

	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	50,545	186,676	91,915	22,633	83,097
Profit/(Loss) before taxation	8,644	43,868	(144,738)	(1,133,009)	(248,109)
Taxation	(1,999)	(4,715)	(100)	(2,238)	(5,269)
Profit/(Loss) for the year	6,645	39,153	(144,838)	(1,135,247)	(253,378)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December,

	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,074,616	2,121,161	5,887,811	6,528,232	5,926,243
Total liabilities	(582,062)	(1,576,556)	(1,580,765)	(2,571,886)	(2,092,051)
	492,554	544,605	4,307,046	3,956,346	3,834,192
Equity attributable to:					
Owners of the Company	492,554	544,605	4,307,046	3,956,346	3,834,192
Non-controlling interests	—	—	—	—	—
	492,554	544,605	4,307,046	3,956,346	3,834,192

Corporate Information

BOARD OF DIRECTORS

Honorary Chairman

LI Ming

Executive Directors

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

Non-executive Directors

LI Ming (Honorary Chairman)
LI Hongbo

Independent Non-executive Directors

LAW Tze Lun
LO Woon Bor, Henry
DENG Wei

AUDIT COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
DENG Wei

REMUNERATION COMMITTEE

LAW Tze Lun (Chairman)
LO Woon Bor, Henry
DENG Wei

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

YUE Pui Kwan

AUTHORISED REPRESENTATIVES

LAI Kwok Hung, Alex
YUE Pui Kwan

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISORS

Baker & McKenzie
Sit Fung Kwong & Shum

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3902, 39th Floor
Tower one, Lippo centre
No. 89 Queensway
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 174

COMPANY WEBSITE

www.geminiinvestments.com.hk