盛洋投资

Gemini Investments (Holdings) Limited
盛 洋 投 資（控 股）有 限 公 司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 174)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors of the Company (the "**Director(s)**" or the "**Board**") is pleased to announce the audited consolidated results of Gemini Investments (Holdings) Limited (the "**Company**") and its subsidiaries (together referred to as "**our Group**" or "**We**"/"**we**") for the year ended 31 December 2018 (the "**Year**" or "**2018**"). The audited consolidated results of the Company have been reviewed by the Company's audit committee.

FINANCIAL RESULTS

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

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

CORE MOVES

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Share of results of joint ventures

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

Finance Costs

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

Other Expenses

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

Profit attributable to owners of the Company

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

Capital Reduction and Amendments to the terms of the Convertible Preference Shares

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

On 26 January 2018, the Company entered into a second deed of cancellation with Grand Beauty for the implementation of the proposed capital reduction involving the cancellation of 43,333,334 convertible preference shares held by Grand Beauty, which represented approximately 5.23% of all the convertible preference shares of the Company then in issue. The capital reduction has become effective on 3 May 2018, and a credit in the amount of approximately HK$130.0 million has arose from the capital reduction and been transferred and credited to a capital reduction reserve account of the Company, which will be available to set off against any accumulated losses of the Company and/or to make distribution to its shareholders in the future when appropriate. Details of the transaction are set out in the announcements of the Company dated 28 January 2018 and 3 May 2018 and circular of the Company dated 28 February 2018.

On 26 January 2018, the Company also entered into a second supplemental deed with Grand Beauty, pursuant to which the parties conditionally agreed to amend certain terms of the convertible preference shares of the Company (the "**CPS**"), which include: (i) acceleration of the commencement of the conversion period of the CPS such that it will commence on the first business day immediately after the proposed amendments become effective under the terms of the second supplemental deed; (ii) increase of the conversion price of the CPS from HK$3 to HK$6 (subject to adjustments); and (iii) adjustment to the dividends payable on the CPS from a non-cumulative floating rate per annum to a fixed rate of 3% per annum.

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

Financial Resources and Liquidity

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

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

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

Financial Guarantees

As at 31 December 2018 and 31 December 2017, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

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

Capital Commitments

As at 31 December 2018, the Group had capital commitments of approximately HK$18.5 million (31 December 2017: approximately HK$11.9 million), of which HK$18.5 million (2017: approximately HK$9.7 million) were attributable to property development expenditure for the Redevelopment Site as mentioned in the subsection headed "Property Investments and Development" under the section headed "Operation Review" below. It is expected that the Group will finance such commitments from its own funds and external financing (such as bank loans).

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 4 to the consolidated financial statements of our Group as disclosed below.

Investment in Fund Platform

GR Realty, in which our Group has 45% membership interests, acts as a jointly controlled and managed investment platform of our Group to invest in real estate projects in the U.S.. During the Year, our Group shared a loss of approximately HK$2.8 million (2017: gain of approximately HK$12.1 million) as a result of its interest in GR Realty. Our interest in GR Realty, together with interest in certain syndicated projects controlled by GR Realty, decreased from approximately HK$967.0 million as at 31 December 2017 to approximately HK$858.6 million as at 31 December 2018, due to distribution with return of capital arising from realisation of projects of non-core cities and submarkets.

During the Year, GR Realty continued to engage in the ownership and/or management of its investment portfolio, comprising over 41 commercial properties (63 buildings), with over 8.7 million square feet in 15 states across the U.S.. Our Group is able to leverage on GR Realty's solid experience and good relationship of its senior management team with an aim to capture the growth in the U.S. property market and strengthen our Group's presence therein proactively, as well as diversifying our investment in fund platform business and property investment portfolio to a large number of states in the U.S., and enable our Group to grow a rising prominence in the U.S. real estate market, in particular amongst technology-centric markets in the U.S..

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

Property Investments and Development

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

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

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

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

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

Fund Investments

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

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

Securities and Other Investments

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

As at 31 December 2018, our securities investment portfolio mainly consisted of investment in listed securities in Hong Kong and overseas of approximately HK$170.9 million (2017: HK$267.8 million). Securities investment forms part of our Group's cash management activities and we maintain a scalable investment portfolio with proper diversification to avoid the fluctuation of any single market.

LOOKING AHEAD

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

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Sales proceeds from disposal of financial instruments held for trading		**606,845**	584,805
Revenue	4	**189,815**	55,565
Other income	5	**37,047**	43,065
Employee costs		**(26,479)**	(31,495)
Depreciation		**(1,943)**	(489)
Other expenses		**(84,124)**	(81,533)
Loss arising from changes in fair value of financial instruments held for trading		**(43,195)**	(1,589)
Loss arising from changes in fair value of financial assets at fair value through profit or loss		**(65,222)**	—
Gain on the bargaining purchase		**9,516**	—
Gain arising from changes in fair value of investment properties		**62,893**	22,086
Provision for impairment loss on financial assets		**(537)**	(1,703)
Share of results of joint ventures	6	**(2,808)**	12,102
Finance costs	7	**(31,566)**	(88,350)
Profit/(loss) before income tax	8	**43,397**	(72,341)
Income tax	9	**(12,664)**	(14,677)
Profit/(loss) for the year		**30,733**	(87,018)
Profit/(loss) for the year attributable to:			
Owners of the Company		**12,229**	(87,018)
Non-controlling interests		**18,504**	—
		30,733	(87,018)
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company	10		
— basic (HK dollar)		**0.03**	(0.19)
— diluted (HK dollar)		**0.01**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 *HK$'000*	2017 *HK$'000*
Non-current assets			
Investment properties		**1,469,245**	721,212
Property, plant and equipment		**56,233**	1,696
Interests in joint ventures	*6*	**858,618**	966,981
Financial assets at fair value through profit or loss	*12*	**2,199,672**	—
Available-for-sale investments		—	2,226,977
Loan receivables	*13*	**413,940**	415,271
Restricted bank deposits		**40,833**	—
Deferred tax assets		**315**	—
		5,038,856	4,332,137
Current assets			
Deposits, prepayments and other receivables		**34,645**	11,960
Properties under development		**479,538**	442,011
Loan receivables	*13*	**20,585**	20,543
Financial instruments held for trading		**170,884**	267,786
Restricted bank deposits		**8,387**	—
Cash and bank balances		**816,569**	1,514,828
		1,530,608	2,257,128
Current liabilities			
Other payables and accrued charges		**87,894**	49,081
Financial instruments held for trading		**401**	—
Amount due to an intermediate holding company		**226,954**	552,675
Taxation payable		**1,507**	410
Borrowings	*14*	**87**	48,066
		316,843	650,232
Net current assets		**1,213,765**	1,606,896
Total assets less current liabilities		**6,252,621**	5,939,033

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$'000	Convertible preference shares reserve HK$'000	Perpetual bond HK$'000	Capital contribution reserve HK$'000	Capital reduction reserve HK$'000	Share option reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017	184,881	3,898,698	–	942,910	–	23,871	(24,010)	–	12,114	(1,204,272)	3,834,192	–	3,834,192
Other comprehensive income													
– Change in fair value of available-for-sale investments	–	–	–	–	–	–	97,981	–	–	–	97,981	–	97,981
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	5,732	–	5,732	–	5,732
Loss for the year	–	–	–	–	–	–	–	–	–	(87,018)	(87,018)	–	(87,018)
Total comprehensive income for the year	–	–	–	–	–	–	97,981	–	5,732	(87,018)	16,695	–	16,695
Capital contribution through borrowings from parent	–	–	–	24,924	–	–	–	–	–	–	24,924	–	24,924
Vested share options forfeited	–	–	–	–	–	(523)	–	–	–	523	–	–	–
Capital reduction	–	(1,411,529)	–	–	1,411,529	–	–	–	–	–	–	–	–
Transfer arising from capital reduction	–	–	–	–	(1,411,529)	–	–	–	–	1,411,529	–	–	–
Issue of perpetual bond	–	–	1,599,860	–	–	–	–	–	–	–	1,599,860	–	1,599,860
Transfer upon issuance of perpetual bond	–	–	659,644	(659,644)	–	–	–	–	–	–	–	–	–
Balance at 31 December 2017 as originally presented	**184,881**	**2,487,169**	**2,259,504**	**308,190**	**–**	**23,348**	**73,971**	**–**	**17,846**	**120,762**	**5,475,671**	**–**	**5,475,671**
Change in accounting policy *(Note 3)*	**–**	**–**	**–**	**–**	**–**	**–**	**(73,971)**	**–**	**–**	**114,277**	**40,306**	**–**	**40,306**
Balance at 1 January 2018	**184,881**	**2,487,169**	**2,259,504**	**308,190**	**–**	**23,348**	**–**	**–**	**17,846**	**235,039**	**5,515,977**	**–**	**5,515,977**
Other comprehensive income													
– Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,123**	**–**	**2,123**	**–**	**2,123**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,229**	**12,229**	**18,504**	**30,733**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,123**	**12,229**	**14,352**	**18,504**	**32,856**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**278,567**	**278,567**
Exercise of share option	**572**	**–**	**–**	**–**	**–**	**(188)**	**–**	**–**	**–**	**–**	**384**	**–**	**384**
Vested share options forfeited	**–**	**–**	**–**	**–**	**–**	**(824)**	**–**	**–**	**–**	**824**	**–**	**–**	**–**
Distribution paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,240)**	**(20,240)**
Capital reduction	**–**	**(129,957)**	**–**	**–**	**129,957**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer arising from capital reduction	**–**	**–**	**–**	**–**	**(129,957)**	**–**	**–**	**–**	**–**	**129,957**	**–**	**–**	**–**
Equity extinguish to liability	**–**	**(610,399)**	**–**	**–**	**–**	**–**	**–**	**533,098**	**–**	**–**	**(77,301)**	**–**	**(77,301)**
Reclassify convertible preference shares from liability to equity	**–**	**608,720**	**–**	**–**	**–**	**–**	**–**	**(533,098)**	**–**	**–**	**75,622**	**–**	**75,622**
Balance at 31 December 2018	**185,453**	**2,355,533**	**2,259,504**	**308,190**	**–**	**22,336**	**–**	**–**	**19,969**	**378,049**	**5,529,034**	**276,831**	**5,805,865**

NOTES

1. DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the two years ended 31 December 2017 and 2018 included in this preliminary announcement of the annual results for the year ended 31 December 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong (the "**Companies Ordinance**")) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

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

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

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

HKFRS 9 — Financial Instruments

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

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(c) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current year.

The impact of adoption of HKFRS 9 has presented in Note 3 below.

HKFRS 15 — Revenue from Contracts with Customers

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

The impact of adoption of HKFRS 15 has presented in Note 3 below.

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.

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

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

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

Amendments to HKAS 40 — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28 *Investments in Associates and Joint Ventures*, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Save as disclosed in the changes in accounting policies in Note 3, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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

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

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.
[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating lease of HK$5,106,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 *Income Taxes*, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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

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

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to the financial statements of the Group.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

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

(a) Impact on the financial statements

As explained in Note 3(b) below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening balance on 1 January 2018.

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

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

(b) HKFRS 9 Financial Instruments — Impact of adoption

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

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current year.

Classification and measurement

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

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

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

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

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

(ii) Re-measurement of financial assets

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

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

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

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

(i) Classification and measurement of financial instrument

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Listed equity securities	Held-for-trading	FVTPL	267,786	267,786
Unlisted equity investments	Available-for-sale investments (at cost less impairment)	FVTPL	7,416	7,525

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

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

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

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

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

Presentation of ECLs

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

Impact of the ECL model

(a) Impairment of rental receivables

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

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

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

(b) Impairment of loan receivables

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

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

(iii) Hedge accounting

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

(iv) Transition

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

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

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

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

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

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

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

4. SEGMENT INFORMATION

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

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

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

b. Property investment and development — rental income from leasing of office properties and residential condominium as well as property development in the U.S. and property development for sale of quality residential properties in Hong Kong through investment in fund.

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

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

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

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

For the year ended 31 December 2018

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

For the year ended 31 December 2017

	Investment in fund platform HK$'000	Property investment and development HK$'000	Fund investments HK$'000	Securities and other investments HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue	—	36,556	—	603,814	—	640,370
Less: Sales proceeds from disposal of financial instruments held for trading	—	—	—	(584,805)	—	(584,805)
Less: Inter-segment sales	—	—	—	4,538	(4,538)	—
Revenue as presented in consolidated income statement	—	36,556	—	23,547	(4,538)	55,565
Segment results	19,728	37,260	117	12,858		69,963
Interest income from bank deposits						1,783
Finance costs						(88,350)
Unallocated corporate expenses						(55,737)
Loss before income tax						(72,341)

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

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

(a) Segment assets and liabilities

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

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

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

Segment liabilities included all liabilities are allocated to operating segments other than taxation payable, borrowings, amount due to an intermediate holding company and unallocated other payables.

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

For the year ended 31 December 2018

Other segment information

	Investment in fund platform *HK$'000*	Property investment and development *HK$'000*	Fund investments *HK$'000*	Securities and other investments *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Interests in joint ventures	**858,618**	**—**	**—**	**—**	**858,618**
Gain arising from changes in fair value of investment properties	**10,955**	**51,938**	**—**	**—**	**62,893**
Loss arising from changes in fair value of financial instruments held for trading	**—**	**—**	**—**	**(43,195)**	**(43,195)**
Gain/(loss) arising from changes in fair value of financial assets at fair value through profit or loss	**246**	**—**	**(65,600)**	**132**	**(65,222)**
Provision of allowance for rental and loan receivables	**(540)**	**3**	**—**	**—**	**(537)**
Share of results of joint ventures	**(2,808)**	**—**	**—**	**—**	**(2,808)**

For the year ended 31 December 2017

Other segment information

	Investment in fund platform *HK$'000*	Property investment and development *HK$'000*	Fund investments *HK$'000*	Securities and other investments *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Interests in joint ventures	966,981	—	—	—	966,981
Gain arising from changes in fair value of investment properties	—	22,086	—	—	22,086
Loss arising from changes in fair value of financial instruments held for trading	—	—	—	(1,589)	(1,589)
Loss on disposal of subsidiaries	—	(3,317)	—	—	(3,317)
Provision for impairment on available-for-sale investment	—	—	—	(1,703)	(1,703)
Share of results of joint ventures	12,102	—	—	—	12,102

(b) Geographical information

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

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

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

(c) Information about major customers

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

For the year ended 31 December 2017, there were two revenue received from an investee and a tenant generated from the Group's securities and other investments segment and property investment and development segment respectively, each of whom contributed approximately 29% and 13% respectively of the Group's total revenue. Revenue derived from the investee and the tenant during the year amounted to approximately HK$16,390,000 and HK$7,147,000 respectively.

5. OTHER INCOME

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

6. INTERESTS IN JOINT VENTURES

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

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

As at 31 December 2018 and 2017, the Group has interests in the following joint ventures:

Name of joint venture	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Percentage of ownership interests/ voting rights 2018	2017	Principal activities
Gemini-Rosemont Realty LLC	Limited liability company	The U.S.	The U.S.	Class A membership interests *	**45%**	45%	Property investment & management
Rosemont WTC Denver GPM LLC	Limited liability company	The U.S.	The U.S.	Membership interests #	**100%**	100%	Property investment & management
Rosemont Diversified Portfolio II LP	Limited partnership	The U.S.	The U.S.	Limited partnership interests #	**37.19%**	37.19%	Property investment & management

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

\# Membership interests and limited partnership interests are non-controlling interests

Notes:

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

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

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

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

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

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

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

The Group and the Property Fund hold 45% and 30% of class A membership interests of Gemini-Rosemont. Both have collective control over Gemini-Rosemont and decisions on the relevant activities of Gemini-Rosemont require the unanimous consent of the class A members. Therefore, Gemini-Rosemont is a joint arrangement. As Gemini-Rosemont is a limited liability company, the joint arrangement is classified as a joint venture accordingly.

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

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

On 21 August 2015, the Group acquired the entire membership interest of Denver GPM LLC from Rosemont at a consideration of US$5,500,000 together with additional contribution of US$9,500,000. On the same date, the Group also subscribed approximately 37.19% limited partnership interest in Portfolio II LP at a consideration of US$34,388,000 (equivalent to approximately HK$266,661,000). The Transactions were completed on 22 August 2015 and the Group has no outstanding commitment as at 31 December 2018 and 2017.

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

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

For the year ended 31 December 2018, the Group received distribution from Portfolio II LP amounted to US$19,598,000 (equivalent to approximately HK$153,826,000). For the year ended 31 December 2017, the Group received distribution from Gemini-Rosemont, Denver GPM LLC and Portfolio II LP amounted to US$2,250,000, US$112,000 and US$2,406,000 respectively (equivalent to approximately HK$17,456,000, HK$868,000 and HK$18,756,000 respectively).

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

7. FINANCE COSTS

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

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

9. INCOME TAX

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

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

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

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

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

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

10. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

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

(b) Diluted earnings per share

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

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

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

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

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

11. DIVIDENDS

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

These investments were reclassified from available-for-sale investments of HK$2,226,977,000 at 1 January 2018 after the adoption of HKFRS 9 as detailed in Note 3. The fair value of these investments as at 1 January 2018 and 31 December 2018 were estimated by BMI Appraisals Limited.

Notes:

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

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

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

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

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

(c) (i) At the end of the reporting period, the Group held approximately 341,000 (2017: 341,000) participating redeemable preference shares ("**Participating Shares**") in an investment entity incorporated outside Hong Kong for diversifying the Group's securities investment risk and further enhance the rate of return of the Group's core business of securities investment. The fair value of the Participating Shares held by the Group as at 31 December 2018 was approximately HK$126,359,000 (2017: the Participating Shares were classified as available-for-sale investments at fair value of approximately HK$126,212,000).

(ii) At the end of the reporting period, the Group held approximately 141,000 (2017: 141,000) participating redeemable preference shares in a sub-fund of an investment entity incorporated in the Cayman Islands (the "**Sub-Fund A**"). The Sub-Fund A is focus on, but not limited to, Asia (excluding Japan) equity to generate positive returns in all market conditions. The fair value of participating redeemable preference shares of the Sub-Fund A held by the Group as at 31 December 2018 was approximately HK$146,907,000 (2017: the participating redeemable preference shares in Sub-Fund A were classified as available-for-sale investments at fair value of approximately HK$200,943,000).

(iii) At the end of the reporting period, the Group also held approximately 110,000 (2017: 110,000) participating redeemable preference shares in another sub-fund of the above mentioned investment entity (the "**Sub-Fund B**"). The Sub-Fund B invested the collected funds to generate positive returns in all market conditions by employing multi-strategy investment approach, to invest on, but not limited to, Asia Pacific equity by employing bottom-up approach and to invest in both long and short term of different asset classes. The fair value of participating redeemable preference shares of the Sub-Fund B held by the Group as at 31 December 2018 is approximately HK$128,379,000 (2017: the participating redeemable preference shares in Sub-Fund B were classified as available-for-sale investments at fair value of approximately HK$146,816,000).

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

(iv) At the end of the reporting period, the Group held approximately 1,012,000 (2017: 1,012,000) non-redeemable, non-voting participating shares of the Property Fund, which incorporated in Cayman Islands and 637,000 (2017: 637,000) non-redeemable, non-voting participating shares of an investment entity incorporated in the Cayman Islands (the "Private Equity Fund"). The fair value of the investments in the Property Fund and the Private Equity Fund as at 31 December 2018 are approximately HK$799,680,000 (2017: the non-redeemable, non-voting participating shares of the Property Fund were classified as available-for-sale investments at cost less impairment amounting to approximately HK$775,818,000) and approximately HK$541,892,000 (2017: the non-redeemable, non-voting participating share in Private Equity Fund were classified as available-for-sale investments at cost less impairment of approximately HK$500,506,000) respectively.

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

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

(v) On 3 November 2015, an indirect wholly-owned subsidiary of the Company entered into a subscription agreement with Prosperity Risk Balanced Fund LP (the "**PRB Fund**"), pursuant to which the Group agreed to contribute commitments for a total amount of US$60,000,000 (equivalent to approximately HK$465,000,000) as a limited partner to PRB Fund. The amount of the Group's commitments represents 7.5% of the total commitments of US$800,000,000 (equivalent to approximately HK$6,200,000,000). As at 31 December 2018, the fair value of the investments in the PRB Fund is approximately HK$448,544,000 (2017: the investment in PRB Fund was classified as available-for-sale investment at cost less impairment of approximately HK$462,813,000).

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

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

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

13. LOAN RECEIVABLES

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

Notes:

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

(b) In addition, loan receivables of US$53,125,000 (equivalent to approximately HK$413,940,000) (2017: US$53,125,000 (equivalent to approximately HK$415,271,000)) in aggregate are due from the joint venture as at 31 December 2018. Among the loan receivables of US$53,125,000, a working capital facility of US$10,000,000 was granted by the Group to Gemini-Rosemont on 31 December 2014 as described in Note 6(b). The loans are unsecured, interest-bearing at rates ranging from 5% to 6% per annum and repayable within 2020 and 2021, accordingly are classified as non-current assets at the end of the reporting period.

As at 1 January 2018, loss allowance on the loan receivables of HK$1,750,000 was provided upon transition to HKFRS 9 *Financial Instrument* and further increased by HK$433,000 during the year ended 31 December 2018 as detailed in Note 3(c).

14. BORROWINGS

The maturity profile of the borrowings is as follows:

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

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

Notes:

a) As at 31 December 2017, a bank borrowing amounted to HK$496,667,000 of which HK$48,000,000 is repayable within one year and the remaining balance of HK$448,667,000 under non-current liabilities is repayable after 1 year but within 2 years. This bank borrowing is unsecured and bearing interest at floating rate. The average interest rate as at 31 December 2017 is 2.08% per annum. Such borrowing was fully repaid on 30 November 2018.

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

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.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARES DEALINGS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During 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 Listing Rules as and when they were/are in force, except for Code Provisions A.1.1, A.2.7 and E.1.2.

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

Code Provision A.2.7 requires that the chairman of the Board (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 to gather any concerns and/or questions that the non-executive Directors and the independent non-executive Directors might have and report to him for setting up follow-up meetings, whenever necessary, in due course.

The Chairman should attend the annual general meeting of the Company under Code Provision E.1.2. Due to other pre-arranged business commitments which had to be attended, Mr. LI Ming (being the honorary chairman of the Board) was unable to attend the annual general meeting of the Company held on 20 April 2018.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Group and the annual results for the year ended 31 December 2018.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its ordinary shares as required under the Listing Rules as at the date of this announcement.

PUBLICATION OF ANNUAL REPORT

The 2018 annual report of the Company containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and available on the Company's website at www.geminiinvestments.com.hk and HKExnews website at www.hkexnews.hk in due course.

APPRECIATION

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

By Order of the Board
Gemini Investments (Holdings) Limited
LAI Kwok Hung, Alex
Executive Director

Hong Kong, 28 February 2019

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:	*Non-executive Directors:*	*Independent non-executive Directors:*
Mr. SUM Pui Ying	Mr. LI Ming	Mr. LAW Tze Lun
Mr. LAI Kwok Hung, Alex	Mr. LI Hongbo	Mr. LO Woon Bor, Henry
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