盛洋投资

Gemini Investments (Holdings) Limited

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

Annual Report 2011

Strive For Excellence
in Financial Investment & Property Investment

CONTENTS

FINANCIAL HIGHLIGHTS

(HKD'000)	**2011**	2010
Continuing operations		
Revenue	**12,872**	18,727
Loss before income tax	**(16,527)**	(24,965)
Loss for the year	**(18,279)**	(26,337)
Profit/(loss) for the year (excluding one-off items)	**4,761**	(26,337)
Loss attributable to owners of the Company	**(18,699)**	(25,645)
Profit/(loss) attributable to owners of the Company (excluding one-off items)	**4,341**	(25,645)
Loss per share - basic - HK cents	**(4.20)**	(5.76)
Earnings/(loss) per share (excluding one-off items) - HK cents	**0.97**	(5.76)

* *one-off items include restructuring costs on property investment portfolio and expense recorded for employee share option*

(HKD'000)	**2011**	2010
Total assets	**1,183,908**	538,062
Equity attributable to owners of the Company	**488,124**	501,140
Cash and cash equivalents	**274,489**	128,471
Net gearing ratio	**0.46**	—

CHAIRMAN'S STATEMENT

Chairman's Statement

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the results of Gemini Investments (Holdings) Limited (the "**Company**") and its subsidiaries (together the "**Group**", our "**Group**" or "**We**"/"**we**") for the financial year ended 31 December 2011 (the "**Year**" or "**2011**"). During 2011, our Group recorded a total revenue of approximately HK$12,872,000 and a loss attributable to shareholders of the Company of approximately HK$18,699,000. The loss mainly arose from one-off loss incurred in restructuring our property investment portfolio by disposing one of our investment properties, Novel Building in Shanghai, a one-off expense recorded for employee share option and the relevant professional fees incurred in connection with the restructuring of the property investment portfolio and the share-based compensation. Excluding these items above, the Group recorded a profit attributable to owners of the Company of approximately HK$4,341,000.

Under the current fragile and volatile market environment, the Board believes that there will be more opportunities coming into the property investment and securities investment sector. Therefore, the Board does not recommend any final dividend for the financial year of 2011 and intends to reserve more cash resources for further growth in 2012.

Major Achievement

During 2011, the Group disposed of one of our investment properties in Shanghai, Novel Building, at a consideration of HK$137,000,000. The transaction was completed in July 2011. The disposal not only enabled the Group to restructure our property investment portfolio to clean up investment properties with low returns, but also helped recoup cash to the Group to support its future property-related investments and to capture property investment opportunities which may arise in the property market of the PRC and Hong Kong in 2012.

In order to expand our foothold in the property investment sector and to capture property investment opportunities that may arise from the turbulent real estate market in the PRC, in the second half of 2011, the Group established a property investment fund, namely Sino Prosperity Real Estate Fund L.P (the "**Fund**"), with Sino-Ocean Land (Hong Kong) Limited (a subsidiary of Sino-Ocean Land Holdings Limited ("**Sino-Ocean Land**"), our parent company) and KKR SPRE Holdings L.P. ("**KKR SPRE**") (an affiliate of KKR China Growth Fund L.P.), which will act as one of the vehicles for the Group to invest in certain property investment projects in the PRC and to expand the Group's revenue source from our existing property investment segment. The Board believes that through participation in the Fund, the Group can leverage the expertise of Sino-Ocean Land in the property development sector in the PRC and the fund management experience of KKR SPRE to generate higher returns from property investment projects. The Board expects that the Fund will start to contribute profits to the Group in 2012.

The Group believes that scarcity in the supply of Grade-A offices in Hong Kong will continue in 2012. Therefore, we believe that the return of the commercial property market in Hong Kong will remain healthy in the long run. As a result, the Group entered into agreements to acquire certain units with a total gross floor area of approximately 3,203 square feet in Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong in November 2011, and a total gross floor area of approximately 2,930 square feet in China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong in February 2012. The Group considers that these investment properties would generate stable rental income and provide potential capital appreciation for the Group. Completion of the acquisition of these units is expected to be in the first half of 2012.

The Group will continue to take a proactive but selective approach in property investment opportunities in the PRC and Hong Kong.

Chairman's Statement

The Group received a HK$500,000,000 3-year financing from our principal banker at an attractive rate during 2011. Such financing will enable the Group to expand our business at a faster pace and have more resources to capture upcoming investment opportunities.

During the year of 2011, the Group's Beijing office started its operation. With an office established in Beijing, the Group can take a more active approach in searching for investment opportunities in the PRC.

In addition, in order to provide long-term incentive to our talented staff and to reward their contribution, the Group has adopted a share option scheme during 2011. The Board believes that the share option scheme will be an effective tool for the Group to retain talented staff and to attract potential talents to our Group in the future.

Market Review and Outlook

The global economy experienced a very challenging period and the capital market suffered considerably during the year of 2011 as a result of the difficulties arising from the European sovereign debt, downgrading of the US government credit rating, and intensifying stress in the banking sector. Even though the PRC economy maintained a growth rate of 9.2% in 2011, inflation and credit tightening policy, together with decreasing export figures due to slowdown of global demand, all led to concern about the possible hard landing of the PRC economy.

As a result of such concern over the PRC economy, during 2011 the Hang Seng Index and the Shanghai Stock Exchange Composite Index fell by 20.0% and 21.7% respectively. Such decline in the Hong Kong and the PRC stock markets reflected investors' anxiety about inflation and possible asset bubbles across the PRC during 2011.

Nevertheless, while the stock market was down substantially in Hong Kong and in the PRC in 2011, we believe that there will be chances to capture undervalued investments and rewarding investment opportunities coming in the market in 2012. With continuous good news from the US economy and the US real estate market, we believe that the US market may be bottoming out and a gradual recovery could be in sight. Even though there is still concern about the European sovereign debt, leaders in Europe are taking steps to resolve the potential debt crisis. These steps will ultimately help revive the global economy and benefit the PRC. Therefore, we are optimistic towards 2012 and will continue to take a cautious approach in our investment, still focusing primarily on the Hong Kong, PRC and US stock markets.

Chairman's Statement

Prospects and Future Plans

After taking restructuring steps on our property investment portfolio and broadening our financial resources, we will continue to expand our business within our core business segments, namely property related investment and securities investment. We always believe that our strong connection with our largest shareholder Sino-Ocean Land provides promising potential for our property investment in the PRC. In light of that, we will continue to search for investment projects in both the PRC and Hong Kong through our team and through our external network. The successful establishment of the Fund also provides an investment platform for our Group to perform in fund management and property-related consultancy business.

In preparation for future expansion, the Board will continue to look for attractive investment opportunities in the securities investment sector including but not limited to listed securities, commodities, mutual funds and private entities, so as to capture the growth in various industries during global economic recovery and gain from the performance of these investments to benefit the Group and the shareholders as a whole.

Appreciation

Finally, on behalf of the Board, I would like to thank all shareholders of the Company who placed strong confidence in our Group's management. I would also like to thank all our business partners and bank enterprises who supported and stood beside us at all times. Last but not least, we believe our largest shareholder Sino-Ocean Land will continue to provide us with long term support for our sustainable business development.

Adrian SUM
Chairman
Hong Kong, 7 March 2012

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis

FINANCIAL REVIEW

During 2011, our Group recorded a total revenue of approximately HK$12,872,000 (2010: approximately HK$18,727,000) and a loss attributable to owners of the Company of approximately HK$18,699,000 (2010: approximately HK$29,490,000). A loss was recorded mainly due to the one-off loss of approximately HK$27,994,000 (excluding approximately HK$12,689,000 recognized from the reclassification from translation reserve upon disposal) arising from the restructuring cost of our Group to clean up investment properties with relatively low return. In addition, our Group recorded a one-off expense for employee share option of approximately HK$5,579,000 and the relevant one-off professional fee of approximately HK$2,156,000 incurred in connection with the two aforesaid transactions in 2011. As a result, our Group recorded a loss per share of 4.20 HK cents in 2011 versus a loss per share of 5.76 HK cents in 2010.

Nevertheless, excluding the above one-off items, a profit before taxation of approximately HK$6,513,000 and a profit attributable to owners of the Company of approximately HK$4,341,000 would be recorded in 2011 from our continuing operation. Therefore, the management remains optimistic towards our existing operation.

Financial Resources and Liquidity

As at 31 December 2011, the cash and short term bank deposits of our Group amounted to approximately HK$274,489,000 (2010: approximately HK$128,471,000).

Our Group obtained a 3-year HK$500,000,000 term loan facility from a commercial bank in Hong Kong in August 2011 and as at 31 December 2011, our Group had a total bank borrowing of HK$500,000,000. The principal amount of the bank loan of HK$500,000,000 is repayable in 2014. Apart from this bank borrowing, our Group did not have any other interest bearing debt as at 31 December 2011. As at 31 December 2011, the gearing ratio (total net debt divided by total shareholders' equity) of our Group was 0.46 (2010: nil).

As at 31 December 2011, total assets and net current assets of our Group were approximately HK$1,183,908,000 (2010: approximately HK$538,062,000) and HK$618,965,000 (2010: approximately HK$212,073,000) respectively. The current ratio (current assets divided by current liabilities) of our Group was approximately 4.2 times (2010: approximately 15.8 times). The net asset value of our Group as at 31 December 2011 was approximately HK$488,124,000 (2010: approximately HK$501,140,000).

With all these resources on hand, our Group is ready for rapid business expansion in 2012.

Financial Guarantees

As at 31 December 2011 and 31 December 2010, our Group did not have any financial guarantees given for the benefit of third parties.

Pledged Assets

As at 31 December 2011 and 31 December 2010, our Group did not have any pledged assets.

Management Discussion & Analysis

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

During the Year, our Group's assets and liabilities were mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. As HK Dollar is pegged with US Dollar and our RMB exposure mainly comes from our investment in the PRC, while RMB is appreciating against US Dollar, the Board does not consider that our Group is exposed to any significant foreign currency exchange risk. The Board will closely monitor the foreign currency exchange risk exposure and will regularly review if any related hedging should be necessary.

OPERATION REVIEW

Property investment and securities investment remained as our core business segments in 2011. The following presents the performance of these two business segments.

Property Investment

Total rental income for 2011 amounted to approximately HK$12,272,000 (2010: approximately HK$17,801,000), representing a decrease of approximately HK$5,529,000. During the Year, our Group disposed the shares of a non-wholly owned subsidiary of the Company, Klendo Limited, which held the Novel Building in Shanghai. After such disposal, there remains one investment property held by us in Shanghai, which constituted the sole investment property held by the Group as at 31 December 2011. Details of this Shanghai property are stated below:

Investment property and address	Use	Total Gross Floor Area (square meters)	Group's interest %	Lease expiry	As at 31 December 2011 Occupancy rate	As at 31 December 2011 Revaluation Value
Unit 1501-1512 on 15th floor of Shui On Plaza No. 333 Huaihai Road Central, Luwan District, Shanghai, PRC	offices	2,574.51	100%	10 November 2044	78%	HK$142,593,000

During 2011, our Group recorded a revaluation gain from the Shui On Plaza of approximately HK$722,000 and such movement was recorded on the consolidated statement of comprehensive income.

On 29 November 2011, our Group entered into a sale and purchase agreement with an independent third party for the acquisition of several units with a total gross floor area of approximately 3,203 square feet in Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong at a consideration of HK$64,600,000. The acquisition is expected to complete in the first half of 2012. A purchase deposit of HK$9,690,000 has already been paid and is recognized as non-current assets in the balance sheet.

Subsequent to the year end, on 23 February 2012, our Group entered into another sale and purchase agreement with an independent third party for the acquisition of two units with a total gross floor area of approximately 2,930 square feet in China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at a consideration of HK$42,485,000. The acquisition is expected to complete in the first half of 2012.

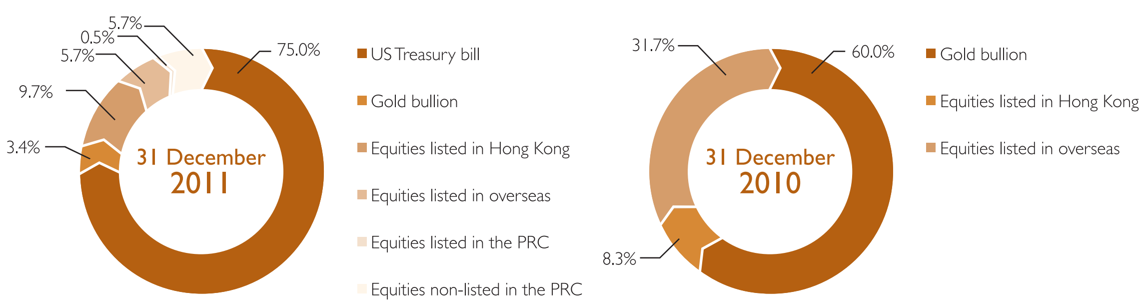
Subject to completion of the above acquisitions, these newly added investment properties will start contributing rental income to our Group in 2012.

Management Discussion & Analysis

Securities Investment

An analysis of the securities portfolio of our Group in terms of types of securities as at 31 December 2011 is as follows:

Market Value as at (HKD'000)	**As at 31 December 2011**	As at 31 December 2010
Financial instruments held for trading	**88,709**	34,199
US Treasury Bill	**420,116**	—
Gold bullion	**19,218**	51,364
Available-for-sale investments	**31,766**	—
Of which: Distribution of financial instruments held for trading		
Equities – Hong Kong	**54,243**	7,115
Equities – Overseas	**31,928**	27,084
Equities – PRC	**2,538**	—
Available-for-sale investments		
Equities – PRC	**31,766**	—



Gain from the trading of our financial assets for the Year was about HK$11,932,000 (2010: about HK$2,030,000). On the other hand, our Group recorded a loss of approximately HK$3,850,000 (2010: gain of HK$7,425,000) from the fair value changes of our securities portfolio during the Year. Therefore the securities investment segment generates a net gain of HK$8,082,000 in 2011.

The market value of our investment portfolio as at 31 December 2011 amounted to approximately HK$559,809,000 (2010: HK$85,563,000). With about HK$274,489,000 in cash and bank balances as at 31 December 2011, we believe that we have the capacity to upsize our investment portfolio when market opportunity arises.

Management Discussion & Analysis

Segment Information

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 this annual report.

Employees

As at 31 December 2011, the total number of staff employed by our Group was 19 (2010: 10). The increase in the total number of staff was in line with our Group's growing business in the second half of the Year. Staff cost, including expense recorded for employee share option, of the on-going operation was approximately HK$8,348,000 for 2011 (2010: approximately HK$8,428,000), being controlled at a reasonable level.

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

Contingent Liabilities

As at 31 December 2011, our Group had no significant contingent liabilities.

BIOGRAPHIES OF DIRECTORS

Biographies of Directors

Mr. LI Zhenyu, aged 40, was appointed Executive Director and Chief Executive Officer of the Company on 17 March 2011. He is also chairman of the Investment Committee of the Company. Mr. LI is also a director of various subsidiaries of the Company. Since May 2007, he has been secretary of the board, joint company secretary, general manager of the secretary administration department and general manager of the investment development department of Sino-Ocean Land Holdings Limited ("**Sino-Ocean Land**"), a controlling shareholder of the Company. He has also served as a director of a number of project companies and subsidiaries of Sino-Ocean Land. Prior to joining Sino-Ocean Land, Mr. LI had taken up various positions in the COSCO Group since July 1994. Mr. LI obtained a Bachelor's Degree from the Central University of Finance and Economics in June 1994.

Mr. SUM Pui Ying, Adrian, aged 50, was appointed Non-Executive Director and Chairman of the Company on 17 March 2011. He is also chairman of the Nomination Committee and a member of the Investment Committee of the Company. Mr. SUM has been the chief financial officer and the company secretary of Sino-Ocean Land since May 2007. He also serves as a director of a number of project companies and subsidiaries of Sino-Ocean Land. Mr. SUM is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England & Wales. With extensive experience in governing companies listed on the Stock Exchange, Mr. SUM is mainly responsible for financial management, company secretarial affairs and corporate financing of Sino-Ocean Land. Mr. SUM obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master of Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996.

Mr. LI Hongbo, aged 44, was appointed Non-Executive Director of the Company on 22 October 2010. He has been general manager of the finance department of Sino-Ocean Land Limited since 1995, a wholly-owned subsidiary of Sino-Ocean Land. He also serves as a director of a number of project companies and subsidiaries of Sino-Ocean Land. With over 17 years of experience as an accountant, Mr. LI is responsible for monitoring the overall financial management of Sino-Ocean Land in the PRC. Mr. LI obtained a Bachelor of Engineering from Xi'an Highway University (now Chang'an University) in July 1989.

Biographies of Directors (Cont'd)

Mr. LAW Tze Lun, aged 40, was appointed Independent Non-Executive Director of the Company on 12 November 2010. He is also chairman of the Audit Committee and the Remuneration Committee and a member of the Investment Committee and Nomination Committee of the Company. He is a Practicing Certified Public Accountant in Hong Kong and currently a director of ANSA CPA Limited. In 1999, Mr. LAW obtained a Bachelor of Commerce (Accounting) from Curtin University of Technology in Australia through distance learning. Mr. LAW is a Certified Public Accountant (Practicing) of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. He has over 18 years of experience in auditing, accounting and finance gained from various accounting firms in Hong Kong. He has been an independent non-executive director of Come Sure Group (Holdings) Limited (stock code: 794), a company listed on the Main Board of the Stock Exchange, since February 2009. He had also served as an independent non-executive director of China Automotive Interior Decoration Holdings Limited (stock code: 8321), a company listed on the Growth Enterprise Market of the Stock Exchange, since 12 April 2010 and resigned as such director with effect from 9 September 2011.

Mr. LO Woon Bor, Henry, aged 48, was appointed Independent Non-Executive Director of the Company on 12 November 2010. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. LO is a solicitor by profession and currently the principal of Henry Lo & Co., Solicitors in Hong Kong. He graduated from the University of Hong Kong with a Bachelor of Arts. Mr. LO studied law and passed the Solicitors' Final Examination in the United Kingdom. He was admitted as a solicitor of the Hong Kong Special Administrative Region in 1993 and in England and Wales in 1994. In 1997, Mr. LO obtained a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong. With over 19 years of experience in civil and commercial litigation, Mr. LO has extensive experience in the practice of property law, intellectual property, civil and commercial advice and litigation. He served as an in-house counsel in a listed publication conglomerate from 1998 to 1999. He regularly proffers advice to companies and institutions with regard to civil and commercial subjects and practice.

Mr. LO has a keen interest in education and serves as School Manager in school(s). He is also the Honorary Legal Advisor to The Federation of Parent-Teacher Association Kowloon City District.

Biographies of Directors (Cont'd)

Mr. ZHENG Yun, aged 49, was appointed Independent Non-Executive Director of the Company on 12 November 2010. Mr. ZHENG is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. From 1985 to 1989, Mr. ZHENG was the minister of the labor practicing department of the Youth League Committee of Tsinghua University (北京清華大學團委勞動學習部). He acted as investment manager of China KZ High & Technology Co. Ltd., (中國科招高技術有限公司) from 1990 to 1997. From 1998 to 2000, he was a manager of Innovation Electronics Co. Ltd., Beijing Union (北京友聯創新科貿有限公司). He was minister of the investment and development department of the Tsinghua Science Part Development Center (清華科技園發展中心發展部) from 2001 to 2002. From 2003 to 2009, he was manager of the ministry of strategy and investment development department, secretary of the board, assistant to the president, financial controller, director of human resources and vice president of Tuspark Co. Ltd. (啟迪控股股份有限公司). Since August 2009, Mr. ZHENG has been vice president and financial controller of Unisplendour Corporation Limited (紫光股份有限公司), a company listed in the Shenzhen Stock Exchange (stock code: 000938). Mr. ZHENG has over 26 years of experience in management and finance. He obtained a Bachelor of Chemical Engineering from Tsinghua University in 1985 and completed the postgraduate courses of the Technical and Economic Department of Chemical Engineering at the same university in 1988.

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "**Directors**" or the "**Board**") of Gemini Investments (Holdings) Limited (formerly known as Gemini Property Investments Limited) (the "**Company**") is committed to establishing and maintaining high standards of corporate governance – the process by which the Company is directed and managed, risks of the Company and its subsidiaries (the "**Group**") are identified and controlled, and accountability to all shareholders of the Company is assured.

This Corporate Governance Report (the "**Corporate Governance Report**") is to outline the major principles of the Company's corporate governance. It intends to describe how the Group has applied the Code Provisions (the "**Code Provisions**") set out in the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") before certain recent amendments to the Code which will only come into effect on 1 April 2012 and which do not apply to the financial year of the Company ended 31 December 2011 (the "**Year**"). It also highlights key changes and/or progresses of the Company made to comply with the Code. Shareholders of the Company are encouraged to make their views known to the Group if they have issues with the Company's corporate governance and to directly raise any matters of concern to the chairman of the Board (the "**Chairman**" or the "**Chairman of the Board**").

The Board considers that the Company has applied the principles and complied with all the Code Provisions in the Code except for the deviation from the Code Provision A.2.1 of the Code as set out in the section headed "Chairman and Chief Executive Officer (or General Manager)" below during the Year.

2. DIRECTORS' SECURITIES TRANSACTIONS

In accordance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, the Company has adopted codes of conduct relating to securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's codes of conduct regarding the Directors' securities transactions during the Year.

Corporate Governance Report

3. MAJOR CORPORATE GOVERNANCE PRINCIPLES

3.1 Board of Directors

Board Composition

As at 31 December 2011, the Board consisted of a total of six members, including one Executive Director (the "**Executive Director**"), two Non-Executive Directors (the "**Non-Executive Directors**") one of whom was the Chairman, and three Independent Non-Executive Directors (the "**Independent Non-Executive Directors**"). The name and biographical details of each Director are set out on pages 14 to 16 of this annual report.

The Company convenes at least four regular Board meetings a year and the Directors shall meet more frequently as and when required. During the Year, the Board convened a total of four regular Board meetings and the individual attendance record of each Director at such Board meetings is tabulated as follows:

	Attended in person	Apologies given
Executive Directors:		
Mr. LI Zhenyu (Note 2)		
(being Chief Executive Officer since 17 March 2011)	3/4	—
Mr. LI Jianbo (Note 1)	1/4	—
Mr. ZHAO Yanjie (Note 1)	1/4	—
Non-Executive Directors		
Mr. SUM Pui Ying (Note 2)		
(being Chairman of the Board since 17 March 2011)	3/4	—
Mr. LI Hongbo	4/4	—
Independent Non-Executive Directors		
Mr. LAW Tze Lun	4/4	—
Mr. LO Woon Bor, Henry	4/4	—
Mr. ZHENG Yun	3/4	1

Notes:

1. Messrs. LI Jianbo and ZHAO Yanjie resigned as Executive Directors on 17 March 2011.

2. Mr. LI Zhenyu has become Executive Director and Chief Executive Officer of the Company (the "**Chief Executive Officer**") and Mr. SUM Pui Ying has become Non-Executive Director of the Company and Chairman of the Board since 17 March 2011.

Corporate Governance Report

Roles and Responsibilities

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

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

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

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

The Board approved a Schedule of Matters Reserved for the Board on 10 August 2005, which set out the Board's duties and activities and the matters reserved for its consideration and decisions. The matters that the Board has specifically reserved for its decisions include establishment of the Group's long term objectives and commercial strategy, approval and monitoring of budgets, changes of the Group's corporate structure, capital and listing status, approval of financial statements and announcement of results, declaration of dividends, approval of material transactions, appointment and remuneration of Board members and senior executives, and other matters more specifically described in the schedule.

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

Skills, Knowledge, Experience and Attributes of Directors

All Directors of the Board (except Mr. LI Jianbo and Mr. ZHAO Yanjie, who resigned on 17 March 2011) served in office during the Year. Every Director commits to giving sufficient time and attention to the affairs of the Company. The Directors also demonstrate their understanding and commit to high standards of corporate governance. The Executive Directors bring their perspectives to the Board through their deep understanding of the Group's business. The Non-Executive Directors contribute their own skills and experience, understanding of local and global economies, and knowledge of capital markets to the Group's business. The Company is responsible for arranging and funding suitable continuous professional development programs for all Directors to hone and refresh their knowledge and skills.

Corporate Governance Report

Division of Responsibilities Between the Board and Management

The Group has formed strong management teams in its business areas, comprising both Executive Directors and senior officers of the Group, with authority and responsibility for developing and exercising both operational and non-operational duties. The management team members of the Group have a wide range of skills, knowledge and experience necessary to govern the Group's operation. All management team members are required to report directly to the Chief Executive Officer (or the General Manager of the Company (the "**General Manager**")). They are also required to meet with the Chairman of the Board, the Chief Executive Officer (or the General Manager) and other Executive Directors on a regular basis to report business performance and operational and functional issues of the Group. This will allow the Group's management to allocate resources more efficiently for its decision-making and facilitate its daily operations.

The Board and the Group's management fully appreciate their respective roles and are committed to good corporate governance. The Board is responsible for overseeing the processes by which the management identifies business opportunities and risks. The Board's role is not to manage the day-to-day business of the Group, the responsibility of which remains vested in the management. The Board has set up a formal Schedule of Matters Specifically Reserved for the Board's decisions. Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees. In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

Induction and Training

Each Director, executive or non-executive, commits to undertaking an induction program to ensure that he has a proper understanding of his duties and responsibilities. The induction program includes an overview of the Group's business operation, the board meetings' procedures, matters reserved to the Board, an introduction of the board committees, the Directors' responsibilities and duties, relevant regulatory requirements, review(s) of minutes of the Board and board committees in the past 12 months, and briefings with management team of the Group and site visits (if necessary). The need for the Directors' training is regularly assessed by the Board.

Independent Advice

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

Independence of Non-Executive Directors

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

Corporate Governance Report

Changes in Directors' Information

The following constituted changes in the Directors' information since the date of publication of the 2011 interim report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:- (a) Mr. LAW Tze Lun (being an Independent Non-Executive Director) resigned as an independent non-executive director of China Automotive Interior Decoration Holdings Limited (stock code: 8321) with effect from 9 September 2011; and (b) Mr. LI Hongbo had a service contract with the Company for an appointment period of two years commencing from 12 November 2010, subject to early termination by either party giving the other not less than two months' notice in writing. Under this service contract, there was no provision providing for payment of director's emoluments to Mr. LI Hongo. This service contract was subsequently renewed on 3 January 2012. Pursuant to the renewed service contract, Mr. LI Hongbo would be entitled to a fixed director's fees of HK$150,000 per annum and the term of the renewed service contract was also for a period of two years commencing from 3 January 2012, subject to early termination by either party giving the other not less than two months' notice in writing.

Company Secretary

The Company Secretary of the Company (the "**Company Secretary**") is responsible for keeping detailed minutes of each meeting of the Board or the board committees including any dissenting views expressed by the Directors. She is also responsible for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. All agenda, relevant materials and document are required to be sent out at least three days prior to the intended dates of the board meetings or meetings of the board committees. It is the responsibility of the Company Secretary to send the draft minutes of the meetings of the Board or the board committees to all Directors for comments within a reasonable time after the aforesaid meetings. Final versions of minutes of meetings of the Board or the board committees are also required to be sent to all Directors for record.

Moreover, the Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

Relationships and Associations among the Directors

No member of the Board was involved in any financial, business, family or other material/relevant relationship with other members of the Board.

3.2 Chairman and Chief Executive Officer (or General Manager)

The Board approved the defined roles of the Chairman and the Chief Executive Officer (or the General Manager) on 10 August 2005, which set out that the roles of the Chairman and the Chief Executive Officer shall be segregated and shall not be exercised by the same person.

Prior to 17 March 2011, Mr. LI Jianbo performed the roles of both the Chairman and the General Manager simultaneously, which constituted a deviation from the Code Provision A.2.1 of the Code which requires that the roles of the Chairman and the Chief Executive Officer of the Company (or the General Manager in our case) should be separated and should not be performed by the same individual. Although the responsibilities of the Chairman and the General Manager were vested in one person (i.e. Mr. LI Jianbo) for the period from 1 January 2011 to 16 March 2011, all major decisions during such period were made in consultation with Board members and management team of the Company. There were three Independent Non-Executive Directors and one Non-Executive Director on the Board. The Board considers that there was sufficient balance of power and that the arrangement during such period maintained a strong management position while facilitating the normal business activities of the Company.

Corporate Governance Report

With effect from 17 March 2011, Mr. LI Jianbo resigned as the Chairman and the General Manager whereas Mr. SUM Pui Ying was appointed as the Chairman of the Board and Mr. LI Zhenyu was appointed as the Chief Executive Officer of the Company. Therefore, with effect from 17 March 2011, the Group has again complied with the Code Provision A.2.1 of the Code.

Chairman of the Board, Mr. SUM Pui Ying, is responsible for leading the Board, and facilitating the business of the Board and the effectiveness of individual Directors, both during and outside the board meetings. The Chairman plays a key role in the development of the Group's strategy and in ensuring management succession. He is also required to ensure that the principles of good corporate governance and processes of the board meetings are maintained. Throughout the Year, the Chairman encouraged constructive discussion, criticism or debate in the board meetings and, where appropriate, any matters proposed by other Directors for inclusion in the agenda for the board meetings. In conjunction with the Company Secretary, the Chairman set agenda for meetings of the Board and ensured that all Directors receive adequate, complete and reliable information in a timely manner. The Chairman committed to presenting the views of the shareholders of the Company to the Board and to represent the Board to communicate with shareholders. He also facilitated the relationship among the board members and ensured effective contribution of the Non-Executive Directors to the Board.

On the other hand, Chief Executive Officer, Mr. LI Zhenyu, is responsible for leading the executive management of the Group. The Board sets limits to the authorities exercisable by the Chief Executive Officer and the Chief Executive Officer remains accountable to the Board within the limits of delegated authorities. The Chief Executive Officer commits to taking overall responsibilities for the supervision and the conduct of the Company's business and its normal operation, in accordance with the policies, strategies and objectives established by the Group. The Board is responsible for monitoring the performance of the Chief Executive Officer and to ensure that the Board's objectives have been attained.

3.3 Appointment, Re-election and Removal

The Executive Director, Mr. LI Zhenyu, was appointed for a term of two years commencing from 17 March 2011 pursuant to his service contract, subject to early termination by either the Executive Director or the Company giving the other not less than two months' notice in writing. Mr. LI Zhenyu is subject to retirement by rotation and re-election at the annual general meeting of the Company (the "**AGM**") at least once every three years pursuant to Article 116 of the Company's articles of association (the "**Articles of Association**").

The two Non-Executive Directors, Mr. LI Hongbo and Mr. SUM Pui Ying, were appointed for a term of two years commencing from 12 November 2010 and 17 March 2011 respectively pursuant to their service contracts, subject to early termination by either the Non-Executive Director or the Company giving the other not less than two months' notice in writing. Both the Non-Executive Directors are subject to retirement by rotation and re-election at the AGM at least once every three years pursuant to Article 116 of the Articles of Association.

Mr. LI Hongbo will retire from office of the Board by rotation at the forthcoming AGM and offer himself for re-election. The service contract of Mr. LI Hongbo was renewed on 3 January 2012. Pursuant to the renewed service contract, he would be entitled to a fixed director's fees of HK$150,000 per annum (whereas he was not entitled to director's fees under the previous service contract) and the term of the renewed service contract would be for a period of two years commencing from the date of such contract, subject to early termination by either party giving the other not less than two months' notice in writing.

Corporate Governance Report

The three Independent Non-Executive Directors, including Messrs. LAW Tze Lun, LO Woon Bor, Henry and ZHENG Yun, were all appointed for a term of two years commencing from 12 November 2010 pursuant to their appointment letters, subject to early termination by either the Independent Non-Executive Director or the Company giving the other not less than one month's notice in writing. All of them are subject to retirement by rotation and re-election at the AGM at least once every three years pursuant to Article 116 of the Articles of Association. Mr. LAW Tze Lun will retire from office of the Board by rotation at the forthcoming AGM and offer himself for re-election.

3.4 Nomination of Directors

The Nomination Committee of the Board (the "**Nomination Committee**") was established on 16 December 2011 and comprises three Independent Non-Executive Directors, namely Messrs. LAW Tze Lun, LO Woon Bor, Henry and ZHENG Yun, and one Non-Executive Director, namely Mr. SUM Pui Ying (who is also Chairman of the Nomination Committee). According to the written terms of reference of the Nomination Committee, the major responsibilities of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of the Independent Non-Executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The terms of reference of the Nomination Committee are available for inspection at the Company's website at www. geminiinvestments.com.hk or upon request to the Company Secretary.

Since the Nomination Committee was newly set up on 16 December 2011, the Nomination Committee had no meeting during the Year. Prior to the establishment of the Nomination Committee, the Remuneration Committee (as further mentioned in the next section 3.5 below) was delegated by the Board to perform the function of reviewing and evaluating the Board's composition with reference to certain guidelines. These guidelines included appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills as well as time commitments of the Board members. The Remuneration Committee carried out the process of selecting and recommending candidates for directorship to the Board including the consideration of referrals and engagement of recruitment firms. The Remuneration Committee also reviewed and recommended the re-appointment of retiring Directors for the approval of shareholders of the Company at the AGM.

Corporate Governance Report

During the Year, in so far as the performance of the function of reviewing and evaluating the Board's composition was concerned, one meeting was held by the Remuneration Committee on 8 March 2011 at which agenda relating to (a) the nomination and recommendation of the appointment of Messrs. LI Zhenyu and SUM Pui Ying as Executive Director and Non-Executive Director respectively; and (b) the nomination of the retiring Directors for re-election at the last AGM held on 21 April 2011, was discussed and approved. Details of the individual attendance record of each member of the Remuneration Committee at this meeting are shown in the table below:

	Attended in person	Apologies given
Independent Non-Executive Directors		
Mr. LAW Tze Lun	1/1	—
Mr. LO Woon Bor, Henry	1/1	—
Mr. ZHENG Yun	1/1	—
Executive Director		
Mr. LI Jianbo (Note 1)	1/1	—

Note:

1. Mr. LI Jianbo resigned as a member (and Chairman) of the Remuneration Committee with effect from 17 March 2011.

3.5 Remuneration of Directors and Senior Officers

As at 31 December 2011, the Remuneration Committee of the Board (the "**Remuneration Committee**") comprised three Independent Non-Executive Directors, namely Messrs. LAW Tze Lun, LO Woon Bor, Henry and ZHENG Yun. As the previous Chairman of the Remuneration Committee, Mr. LI Jianbo, had resigned as a member (and the Chairman) of the Remuneration Committee with effect from 17 March 2011, Mr. LAW Tze Lun was re-designated as Chairman of the Remuneration Committee to replace the vacancy left by Mr. LI Jianbo with effect from 17 March 2011. The Remuneration Committee met twice during the Year. Attendance of each member of the Remuneration Committee at these two meetings is shown in the table below:

	Attended in person	Apologies given
Independent Non-Executive Directors		
Mr. LAW Tze Lun	2/2	—
Mr. LO Woon Bor, Henry	2/2	—
Mr. ZHENG Yun	2/2	—
Executive Director		
Mr. LI Jianbo (Note 1)	1/2	—

Note:

1. Mr. LI Jianbo resigned as a member (and Chairman) of the Remuneration Committee with effect from 17 March 2011.

Corporate Governance Report

Roles and Functions

The roles of the Remuneration Committee were to assist the Board to oversee the policy and structure of the remuneration of the Executive Directors of the Company and senior officers of the Group, and to approve specific remuneration packages of all the Executive Directors and senior officers of the Group. The current duties and responsibilities of the Remuneration Committee are more specifically set out in its latest terms of reference, details of which are available for inspection at the Company's website at www.geminiinvestments.com.hk or upon request to the Company Secretary.

Principles of Remuneration Policy

The principles of the Group's remuneration policy (as determined by the Remuneration Committee during the Year):

— were applied to all Directors and senior officers for the Year and, so far as practicable, shall be applied to them for subsequent years;

— were sufficiently flexible taking into account future changes in the Company's business environment and remuneration practice;

— allowed remuneration arrangement to be designed to support the business strategy of the Group and to align with the interests of the Group's shareholders;

— aimed at setting appropriate reward levels to reflect the competitiveness in the market in which comparable companies and the Group had been operating during the Year so as to position the best individual for outstanding performance;

— maintained performance-related remuneration level of the total potential remuneration for the Executive Directors and senior officers of the Group; and

— required that performance-related remuneration be subject to satisfactory performance over short and long term targets, and the targets be set and assessed in the context of the Group's prospects, the prevailing economic environment in which it operates and the relative performance of comparable companies.

Remuneration Structure

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

— an appropriate rate of base compensation for the job of each Executive Director and senior officer of the Group;

— competitive benefit programs; and

— sets of performance measures and targets for performance-related annual and long-term incentive plans based on the appropriate independent advice and/or an assessment of the interests of shareholders of the Company and taking into account an appropriate balance of risk and reward for the Directors and other participants.

Corporate Governance Report

The Remuneration Committee was responsible for determining whether the preset targets for individual performance had been met based on the relevant information. Annual review of the base compensation was required. The Remuneration Committee was also required to set annual target performance measures for each Executive Director and senior officer of the Group, approve the maximum level of total annual bonus over monthly salary as well as the shares of contributions against each performance measure if the target had been achieved.

The work and findings together with recommendations of the Remuneration Committee were presented to the Board after the Remuneration Committee's meetings. Minutes of the Remuneration Committee's meeting were made available to all the Directors for inspection. No Director was involved in deciding his own remuneration, whether determined by the Remuneration Committee, or in the case of Non-Executive Director, by the Board.

3.6 Auditors' Remuneration

The Board, based on the recommendation of its Audit Committee (the "**Audit Committee**"), approved the appointment of Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") to perform its audit services for the Group for the Year. Deloitte has been the Group's appointed external auditors since 1989. A letter from Deloitte dated 8 November 2011 stated that Deloitte was independent from the Group with reference to Section 290 "Independence – Assurance Engagements" of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.

During the Year, total fees paid to Deloitte amounted to HK$1,735,000, of which HK$535,000, or 30.8%, were fees for non-audit services, including taxation, interim review for the period ended 30 June 2011, review of enterprise resources system and other consultancy services.

3.7 Audit Committee

As at 31 December 2011, the Audit Committee consisted of three Independent Non-Executive Directors, namely Mr. LAW Tze Lun, Mr. LO Woon Bor, Henry and Mr. ZHENG Yun. Mr. LAW Tze Lun has the appropriate professional accounting qualification and served as Chairman of the Audit Committee during the Year.

Two Audit Committee's meetings were convened during the Year. The external auditors (being Deloitte as mentioned above), Executive Directors and the Group's financial controller were invited to attend these two Audit Committee's meetings. Attendance of each member of the Audit Committee at these meetings is shown in the table below:

	Attended in person	Apologies given
Independent Non-Executive Directors		
Mr. LAW Tze Lun	2/2	—
Mr. LO Woon Bor, Henry	2/2	—
Mr. ZHENG Yun	2/2	—

Corporate Governance Report

Latest terms of reference of the Audit Committee are available for inspection at the Company's website at www.geminiinvestments.com.hk or upon request to the Company Secretary.

The roles of the Audit Committee require it, among other things, to oversee the relationship with the external auditors, to review the Company's annual and interim financial statements, and to evaluate the effectiveness of the Group's internal control and risk management systems.

During the Year, the Audit Committee performed the following work:

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

— The Audit Committee also managed the relationship with the external auditors on behalf of the Board. It made recommendation to the Board on the appointment of the external auditors and the relevant terms of engagement, including remuneration. The Audit Committee was required to review the integrity, independence and objectivity of the external auditors. Also, it examined the external auditors' independence including its engagement of non-audit services. Based on the review of the Audit Committee, the Board was satisfied that the external auditors were independent. The external auditors had also expressed an opinion on their reporting responsibilities in the "Independent Auditors' Report" set out on pages 44 to 45 of this annual report.

— The Audit Committee was required to ensure that the system of internal control of the Group was in place for identifying and managing risks. The Audit Committee had reviewed the effectiveness of internal controls for the Year. Such review covered financial, operational and compliance controls and risk assessment of the Group. The Board was satisfied that the effectiveness of the internal controls of the Group had been properly reviewed by the Audit Committee.

3.8 Internal Controls

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' interests and assets of the Company. Each year the Board reviews the effectiveness of the Group's system of internal controls and reports the results of the review to the shareholders.

This annual review covers all material controls, including financial, operational and compliance controls and risk management functions, and considers the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

Corporate Governance Report

System of Internal Controls

Each year the Board reviews and considers the risk profile for the whole business of the Group. The Board has delegated the oversight of risk management to the Audit Committee. The Board also requires the Chief Executive Officer to implement a system of control for identifying and managing risks. The Board has constructed a framework for the assessment and management of risks to each division within the Group every year. When any deficiency or new risk was identified and presented, it is the responsibility of the Chief Executive Officer to report to the Board for assessment, together with submission of proper control strategy or follow-up action.

During the Year, no internal audit department was set up in the Group and the Board believed no such need is foreseen in the year ahead.

Price Sensitive Information

The Group has also adopted a securities dealing policy setting out the Company's policy and rules governing the dealings in the securities of the Company by all employees of the Group and a confidentiality policy setting out the responsibilities of all employees of the Group in dealing with the Group's information that is considered to be confidential.

Business Risks

The scope of business in which the Group is operating involves a range of risk factors that may impact overall results.

Material risks that could negatively affect the results and performance of the Group include:

- Fluctuation of metal prices
- Fluctuation of currency exchange rates
- Failure to recover credits extended to customers
- Impact of weak demand due to global economic downturn
- Rising operating costs
- Impact of changes in taxation in countries in which the Group operates
- Fluctuation of investment markets
- Stagnant market condition further stressed by the global financial crisis
- Fluctuation of property markets in Shanghai and Hong Kong
- Breaches in information technology security and failure in maintaining computer network systems
- Sudden reduction of credit facilities extended by financial institutions
- Fraud and dishonesty, adverse governmental policies and political events in countries in which the Group operates
- Breaches in corporate governance processes

The management of the Group has put in place a number of policies, processes and procedures to provide assurance to the Board on the integrity and effectiveness of the internal control system and risk management. During the Year, each division of the Group reported to the Board an assessment overview for the effectiveness of controls for their activities, including any new risk area arising during the Year. The Audit Committee reviewed the Group's overall internal control system twice during the Year to monitor the risks and controls of the Group. Three management committees also performed roles relating to risks and control. The management team formally presented the Group's risk management and internal control structure to the Board at the end of the Year.

The Directors confirmed they had reviewed the effectiveness of the Group's internal control system during the Year and considered such internal control system effective and adequate.

3.9 Communication with Shareholders

The Group endeavors to disclose relevant information on its activities to its shareholders in an open and timely manner, subject to applicable legal requirements. Communication between the Company and its shareholders is achieved through:

— The Company's annual and interim reports which have been enhanced to present a balanced, clear and comprehensive assessment of the Group's position and prospects;

— Notices of annual and other general meetings and accompanying explanatory materials;

— Press releases on major development of the Group;

— Disclosures to the Stock Exchange and relevant regulatory bodies;

— Response to inquiries from shareholders or media by the Company Secretary; and

— The Company's website at www.geminiinvestments.com.hk through which the public can access, among other things, corporate announcements, press releases, annual reports, and general corporate information of the Group.

Constructive use of AGMs

The Board values the AGMs as the principal opportunities for the Directors to meet shareholders of the Company. During the Year, the Chairman of the Board, the Executive Director and Chairman of the Audit Committee and the Remuneration Committee attended the AGM held on 21 April 2011. Notice of AGM, annual report, financial statements and related papers were posted to shareholders of the Company for their consideration at least 20 clear business days prior to the AGM. AGM proceedings of the Company are continually reviewed in the light of corporate governance best practices.

4. DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

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

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

The financial statements for the Year have been prepared by the Directors on a going concern basis. The statement of the auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "Independent Auditors' Report" on pages 44 to 102 in this annual report.

DIRECTORS' REPORT

GEMINI INVESTMENTS (HOLDINGS) LIMITED (FORMERLY KNOWN AS GEMINI PROPERTY INVESTMENTS LIMITED) (the "Company")

It is the pleasure of the Directors of the Company (the "**Directors**" or the "**Board**") to present to the shareholders their report (the "**Directors' Report**") and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2011 (the "**Year**").

CHANGE OF COMPANY NAME

To align with the future business development plan of the Company, during the Year, at an extraordinary general meeting held on 23 June 2011 ("**EGM**"), the shareholders of the Company approved the name of the Company to be changed from "Gemini Property Investments Limited（盛洋地產投資有限公司）" to "Gemini Investments (Holdings) Limited（盛洋投資（控股）有限公司)".

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group has been engaged in its principal activities in property investment and securities investment. The principal activities of its subsidiaries and jointly controlled entities are set out in notes 18 and 43 to the consolidated financial statements of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income of the Group on pages 46 to 47 of this annual report.

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

INVESTMENT PROPERTIES

As at 31 December 2011, the Group held one investment property, whose details are set out in the section headed "Operation Review – Property Investment" in "Management Discussion & Analysis" to this annual report. This investment property was revalued at 31 December 2011, as set out in note 15 to the consolidated financial statements of the Group.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, the Company's reserves available for distribution to its shareholders comprised the retained profits of HK$243,186,000 (2010: of HK$142,965,000).

Details of the Company's distributable reserves are set out in note 29 to the consolidated financial statements of the Group.

DIRECTORS

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

Executive Directors:

LI Jianbo	(resigned on 17 March 2011)
ZHAO Yanjie	(resigned on 17 March 2011)
LI Zhenyu – Chief Executive Officer	(appointed on 17 March 2011)

Non-Executive Directors:

SUM Pui Ying – Chairman	(appointed on 17 March 2011)
LI Hongbo	

Independent Non-Executive Directors:

LAW Tze Lun
LO Woon Bor, Henry
ZHENG Yun

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

The Company has received an annual confirmation from each of the Independent Non-Executive Directors with regard to their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and considers that each of the Independent Non-Executive Directors is independent to the Company.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

The Executive Director, Mr. LI Zhenyu, and one of the Non-Executive Directors, Mr. SUM Pui Ying, have respectively entered into a service contract with the Company under which their appointments shall be for a period of two years commencing from 17 March 2011, subject to early termination by either party giving the other not less than two months' notice in writing.

Another Non-Executive Director, Mr. LI Hongbo, has signed a service contract with the Company under which his appointment shall be for a term of two years commencing from 12 November 2010, subject to early termination by either party giving the other not less than two months' notice in writing. The service contract of Mr. LI Hongbo was renewed on 3 January 2012. Pursuant to the renewed service contract, Mr. LI would be entitled to a fixed director's fees of HK$150,000 per annum (whereas he was not entitled to director's fees under the previous service contract) and the term of the renewed service contract would be for a period of two years commencing from the date of such contract, subject to early termination by either party giving the other not less than two months' notice in writing.

Each of the Independent Non-Executive Directors has entered into an appointment letter with the Company under which their appointments shall be for a term of two years commencing from 12 November 2010, subject to early termination by either party giving the other not less than one month's notice in writing.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As at 31 December 2011, the interests of the Directors and the chief executive of the Company in the shares, underlying shares in respect of equity derivatives and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, were as follows:

The letter "**L**" denotes a long position in the shares or underlying shares of equity derivatives of the Company and its associated corporation(s).

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

Under the share option scheme of the Company (whose details are further described in the section headed "**Share Option Scheme**" below), share options were granted to the following Directors which entitled them to subscribe for the shares of the Company and accordingly they were regarded as interested in the underlying shares of the Company. Details of the share options of the Company held by them during the Year were as follows:-

Name of Directors	Capacity	Date of grant	Exercise period	Number of shares in the Company over which options are exercisable: Balance as at 1 January 2011	Granted during the Year	Exercised during the Year	Balance as at 31 December 2011	Exercise price per share HK$	Approximate percentage of interest in the issued share capital of the Company as at 31 December 2011
LI Zhenyu	Beneficial owner	26 August 2011	26 August 2011 – 22 June 2021	—	4,000,000(L)	—	4,000,000(L)	1.40	0.90%
SUM Pui Ying	Beneficial owner	26 August 2011	26 August 2011 – 22 June 2021	—	2,000,000(L)	—	2,000,000(L)	1.40	0.45%

Directors' Report

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

Sino-Ocean Land Holdings Limited ("**Sino-Ocean Land**") is the ultimate holding company of the Company and is therefore within the meaning of "associated corporation" of the Company under Part XV of the SFO.

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

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

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

In respect of the Restricted Share Award Scheme of Sino-Ocean Land, the following Directors were granted certain share awards under the Restricted Share Award Scheme during the Year and were accordingly regarded as having an interest in the shares of Sino-Ocean Land (being the associated corporation of the Company) pursuant to the provisions of the SFO. Details of shares awarded to them during the Year were as follows:-

Name of Directors	Capacity	Date of grant (the "Award Date")	Number of shares in Sino-Ocean Land awarded	Approximate percentage of interest in the issued share capital of Sino-Ocean Land as at 31 December 2011
LI Zhenyu	Beneficial owner	18 March 2011	267,600 (L) (Note)	0.0047%
SUM Pui Ying	Beneficial owner	18 March 2011	749,200 (L) (Note)	0.0132%
LI Hongbo	Beneficial owner	18 March 2011	374,600 (L) (Note)	0.0066%

Long position in the shares and underlying shares of equity derivatives of associated corporation(s) of the Company (Cont'd)

Note:

Pursuant to the terms of the share awards, the 267,600, 749,200 and 374,600 shares in Sino-Ocean Land respectively awarded to Messrs. LI Zhenyu, SUM Pui Ying and LI Hongbo (the "**Award Shares**") were not vested in the aforesaid Directors immediately but, subject to the provisions of the Restricted Share Award Scheme, the Award Shares will be vested in them in accordance with the following timetable:-

Vesting date	Percentage of the Award Shares to be vested
12 months from the Award Date	40%
15 months from the Award Date	7.5%
18 months from the Award Date	7.5%
21 months from the Award Date	7.5%
24 months from the Award Date	7.5%
27 months from the Award Date	7.5%
30 months from the Award Date	7.5%
33 months from the Award Date	7.5%
36 months from the Award Date	7.5%

Directors' Report

Long position in the shares and underlying shares of equity derivatives of associated corporation(s) of the Company (Cont'd)

Regarding the share option scheme adopted by Sino-Ocean Land, the following Directors had been granted share options to subscribe for shares in Sino-Ocean Land and were accordingly regarded as interested in the underlying shares of Sino-Ocean Land pursuant to the provisions of the SFO. Details of the movement of the share options of Sino-Ocean Land held by them during the Year were as follows:-

Name of Directors	Capacity	Date of grant	Exercise period (Notes)(5)	Number of shares in Sino-Ocean Land over which options are exercisable: Balance as at 1 January 2011	Granted during the Year	Exercised during the Year	Balance as at 31 December 2011	Exercise price per share HK$	Approximate percentage of interest of such share options held as at 31 December 2011 relative to the issued share capital of Sino-Ocean Land as at 31 December 2011
LI Zhenyu	Beneficial owner	28-9-2007	(1)	562,000(L)	—	—	562,000(L)	7.70	0.0099%
		19-9-2008	(2)	260,000(L)	—	—	260,000(L)	2.55	0.0046%
		30-7-2009	(3)	300,000(L)	—	—	300,000(L)	8.59	0.0053%
		5-10-2009	(4)	270,000(L)	—	—	270,000(L)	7.11	0.0048%
				Total: 1,392,000(L)			Total: 1,392,000(L)		Total: 0.0246%
SUM Pui Ying	Beneficial owner	28-9-2007	(1)	1,430,000(L)	—	—	1,430,000(L)	7.70	0.0253%
		19-9-2008	(2)	1,000,000(L)	—	—	1,000,000(L)	2.55	0.0177%
		30-7-2009	(3)	800,000(L)	—	—	800,000(L)	8.59	0.0141%
		5-10-2009	(4)	630,000(L)	—	—	630,000(L)	7.11	0.0111%
				Total: 3,860,000(L)			Total: 3,860,000(L)		Total: 0.0682%
LI Hongbo	Beneficial owner	28-9-2007	(1)	570,000(L)	—	—	570,000(L)	7.70	0.0101%
		19-9-2008	(2)	300,000(L)	—	—	300,000(L)	2.55	0.0053%
		30-7-2009	(3)	250,000(L)	—	—	250,000(L)	8.59	0.0044%
		5-10-2009	(4)	200,000(L)	—	—	200,000(L)	7.11	0.0035%
				Total: 1,320,000(L)			Total: 1,320,000(L)		Total: 0.0233%

Notes:

1. Exercisable from 28 September 2008 to 27 September 2012.

2. Exercisable from 19 September 2009 to 18 September 2013.

3. Exercisable from 30 July 2010 to 29 July 2014

4. Exercisable from 5 October 2010 to 4 October 2014.

5. The share options granted are exercisable within a five-year period in which 40% of the options become exercisable 1 year from the grant date; 70% of the options become exercisable 2 years from the grant date; and all options become exercisable 3 years from the grant date.

Long position in the shares and underlying shares of equity derivatives of associated corporation(s) of the Company (Cont'd)

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executive of the Company had or were deemed under the SFO to have any interests or short positions in the shares, underlying shares in respect of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

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

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at 23 June 2011 (being the date of the EGM on which the Share Option Scheme was approved by the shareholders of the Company), such 10% being equivalent to 44,550,000 shares of the Company. As at the date of this Directors' Report, options for the subscription of 34,950,000 shares of the Company (representing approximately 7.85% of the issued share capital of the Company as at the date of the EGM and approximately 7.85% of the issued share capital of the Company as at the date of this Directors' Report) are available for issue under the Share Option Scheme.

In addition, the maximum aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

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

Directors' Report

SHARE OPTION SCHEME (Cont'd)

All offers of the share options under the Share Option Scheme shall remain open for acceptance by the Participants concerned for a period of not less than 10 business days from the date of offer of the option (the "**Offer Date**"), and acceptance of such offers shall be accompanied by a payment of HK$1.00 to the Company within the aforesaid 10 business-day period as consideration for the grant of such option. Options may be exercised by the Participants at any time during a period to be notified by the Board to each grantee at the time of offer of the share options which period shall not be more than 10 years from the date of grant of the options (not later than 22 June 2021). Unless otherwise determined by the Board, there is no general requirement on the minimum period for which an option must be held before the option can be exercised.

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

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

Long position (denoted by "**L**") in the shares of the Company

			Number of shares of the Company over which options are exercisable						
	Date of grant	Exercise price per share HK$	Balance as at 1 January 2011	Granted during the Year (Notes)	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2011	Exercise period
Name of Directors									
LI Zhenyu	26 August 2011	1.40	—	4,000,000(L)	—	—	—	4,000,000(L)	26 August 2011 – 22 June 2021
SUM Pui Ying	26 August 2011	1.40	—	2,000,000(L)	—	—	—	2,000,000(L)	26 August 2011 – 22 June 2021
Employees of the Group	26 August 2011	1.40	—	3,600,000(L)	—	—	—	3,600,000(L)	26 August 2011 – 22 June 2021
Total			—	9,600,000(L)	—	—	—	9,600,000(L)	

Notes:

1. Pursuant to the Share Option Scheme, a total of 9,600,000 share options as mentioned in the above table were granted to certain Directors and employees of the Group on 26 August 2011, with an exercise price of HK$1.40 per share and an exercise period from 26 August 2011 to 22 June 2021. The closing price of the shares of the Company immediately before the date of the grant of the aforesaid share options was HK$1.34 per share.

2. All the share options granted above were not subject to any vesting period, and are fully vested and exercisable at any time during the exercise period.

Details of the value of options granted under the Share Option Scheme during the Year and the accounting policy adopted for the share options are set out in note 6 to the consolidated financial statements of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Restricted Share Award Scheme and the share option scheme of Sino-Ocean Land as disclosed in the section headed "Directors' and Chief Executive's Interest in the Securities of the Company and its Associated Corporations" and the Share Option Scheme of the Company as disclosed in the section headed "Share Option Scheme" above:- (a) at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and (b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2011, so far as is known to any Director or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had an interest or short position in the shares or underlying shares in respect of equity derivatives of the Company as recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions (denoted by "L") in the shares of the Company

Name of shareholder	Nature of Interest and capacity	No. of shares	Approximate percentage of interest in the issued share capital of the Company as at 31 December 2011
Sino-Ocean Land Holdings Limited (Note)	Interest of controlled corporation	312,504,625(L)	70.15%
Shine Wind Development Limited (Note)	Interest of controlled corporation	312,504,625(L)	70.15%
Faith Ocean International Limited (Note)	Interest of controlled corporation	312,504,625(L)	70.15%
Sino-Ocean Land (Hong Kong) Limited (Note)	Interest of controlled corporation	312,504,625(L)	70.15%
Grand Beauty Management Limited (Note)	Beneficial owner	312,504,625(L)	70.15%

Note: The 312,504,625 shares of the Company were beneficially owned by Grand Beauty Management Limited, which was wholly owned by Sino-Ocean Land (Hong Kong) Limited. Sino-Ocean Land (Hong Kong) Limited was wholly owned by Faith Ocean International Limited which in turn was wholly owned by Shine Wind Development Limited. Shine Wind Development Limited was wholly owned by Sino-Ocean Land Holdings Limited.

Save as disclosed herein, as at 31 December 2011, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares in respect of equity derivatives of the Company which had been recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the issued share capital of the Company.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate turnover attributable to the Group's five largest customers was approximately 51.25% of the Group's total turnover. The Group's principle businesses are property investment and securities investment, and so we have no five largest suppliers during the Year.

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

CONNECTED TRANSACTIONS

During the Year and up to the date of this Directors' Report, the Group had entered into the following connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

(i) Disposal of the entire interest in a subsidiary of the Company holding the property

On 11 May 2011, the Company as vendor and Virtue Time Holdings Limited as purchaser (the "**Purchaser**") entered into a disposal agreement, pursuant to which the Company agreed to sell, and the Purchaser agreed to purchase, 18,000 shares of HK$1 each in Klendo Limited ("**Klendo**", being a 90% owned subsidiary of the Company), representing the entire shareholding interest of the Company in Klendo, at the consideration of HK$137,000,000, subject to the terms and conditions therein (the "**Disposal Transaction**"). Disposing the non-profit generating part of the Company's existing property investment projects under the Disposal Transaction has provided funding for the Group to support its future property-related investments and to capture property investment opportunities which might generate higher return. After completion of the Disposal Transaction, Klendo ceased to be a subsidiary of the Company.

As the Purchaser was a wholly-owned company of Mr. Zen Wea Foo, a substantial shareholder of Klendo, the Purchaser was a connected person of the Company under the Listing Rules. Accordingly, the Disposal Transaction constituted a major and connected transaction to the Company and was therefore subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Details of the Disposal Transaction were disclosed in the announcement of the Company dated 12 May 2011 and the circular to the shareholders of the Company dated 31 May 2011. The Disposal Transaction was approved by the independent shareholders of the Company at an EGM of the Company held on 23 June 2011 and was completed on 13 July 2011.

(ii) Formation of joint venture in relation to the establishment of an investment fund

On 5 September 2011, Chance Bright Limited ("**Chance Bright**") (a wholly owned subsidiary of the Company), Sino Ocean Land (Hong Kong) Limited ("**SOL HK**") (a substantial shareholder of the Company) and KKR SPRE Holdings L.P. ("**KKR SPRE**") (an affiliate of KKR China Growth Fund L.P.) entered into a framework agreement (the "**Framework Agreement**") in relation to the establishment and management of (A) Sino Prosperity Real Estate Fund L.P. (the "**Fund**"), with the principal objective to invest in real estate projects located in the PRC through outright ownership, (B) Sino Prosperity Real Estate Advisor Limited (the "**Management Company**", being responsible for evaluating and monitoring the Fund's investments) and (C) Sino Prosperity Real Estate Limited (the "**Ultimate General Partner**", acting as the general partner of Sino Prosperity Real Estate (GP), L.P. (the "**General Partner**", being responsible for the Fund's overall management) of the Fund) (both the Management Company and the Ultimate General Partner collectively defined as the "**JV Entities**").

Pursuant to the Framework Agreement, each of Chance Bright and KKR SPRE has agreed to subscribe for shares at par in each of the Ultimate General Partner and the Management Company so that Chance Bright and KKR SPRE will co-own the JV Entities on a 50/50 basis. In addition, each of SOL HK and KKR SPRE has agreed to make a capital commitment of USD70 million to the Fund, and each of Chance Bright and KKR SPRE has agreed to make a capital commitment of USD1.05 million to the General Partner which will in turn make a capital commitment of USD2 million to the Fund. The Fund has become an investment platform of the Group to invest in certain real estate projects in the PRC and to expand the Group's revenue source from property related investment.

As SOL HK indirectly held 70.15% interest in the issued share capital of the Company and was a substantial shareholder of the Company, SOL HK was therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constituted connected transactions of the Company.

Details of the above transactions under the Framework Agreement were disclosed in the announcement of the Company dated 5 September 2011.

Directors' Report

MANAGEMENT CONTRACTS

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

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

A facility agreement dated 1 August 2011 (the "**Facility Agreement**") was entered into between the Company (as borrower), Sino-Ocean Land (a controlling shareholder of the Company, as guarantor) and DBS Bank Ltd., Hong Kong Branch (as lender) (the "**Lender**") in respect of the term loan facility in the principal amount of HK$500,000,000 granted to the Company for a term of 36 months after the date of the Facility Agreement.

Pursuant to the Facility Agreement, each of the Company and Sino-Ocean Land shall ensure that Sino-Ocean Land shall at all times remain the single largest shareholder (direct or indirect) of not less than 30% shareholding in the Company and maintain control over the Company, failure of which will become an event of default. In the case of an event of default, the Lender may, by notice to the Company, (a) cancel the commitment or any part of the commitment; (b) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the finance documents be immediately due and payable; (c) declare that all or part of the loans, together with accrued interest, and all or any other amounts accrued or outstanding under the finance documents be payable on demand; and/or (d) exercise any or all of its rights, remedies, powers or discretions under the finance documents.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules throughout the Year, except for the deviations from the Code Provision A.2.1 of the Code as disclosed in the section headed "Chairman and Chief Executive Officer (or General Manager)" in the "Corporate Governance Report" as set out on page 21 of this annual report.

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

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

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

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 the amount of public float for its shares as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

AUDITORS

The consolidated financial statements of the Group for the Year were audited by Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") who would retire at the conclusion of the forthcoming AGM of the Company to be held on 30 April 2012.

On 7 March 2012, the Board resolved to propose the appointment of BDO Limited, Certified Public Accountants, as the auditor of the Group for the year of 2012 to fill the vacancy following the retirement of Deloitte and to hold office until the next annual general meeting of the Company, subject to the approval of shareholders of the Company at the forthcoming AGM to be held on 30 April 2012.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 23 February 2012, Jian Feng Holdings Limited, an indirectly wholly-owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement with Group Links International Limited, as the vendor, an independent third party of the Company, in relation to the acquisition of two commercial units located at Unit No. 2119 and Unit No. 2120 on 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong at an aggregate consideration of HK$42,485,000. This acquisition constituted a disclosable transaction under Chapter 14 of the Listing Rules of the Stock Exchange.

Details of the above transaction were disclosed in the announcement of the Company dated 23 February 2012. The acquisition is expected to be completed in the first half of 2012.

On behalf of the Board

Adrian SUM
Chairman

Hong Kong, 7 March 2012

Independent Auditor's Report

TO THE MEMBERS OF GEMINI INVESTMENTS (HOLDINGS) LIMITED
盛洋投資（控股）有限公司
（FORMERLY KNOWN AS GEMINI PROPERTY INVESTMENTS LIMITED
盛洋地產投資有限公司）
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Gemini Investments (Holdings) Limited (formerly known as Gemini Property Investments Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 102 which comprise the consolidated and Company's statements of financial position as at 31st December, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7th March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	4	**12,872**	18,727
Other income	5	**768**	8,518
Staff costs			
– Share-based compensation	6	**(5,579)**	—
– Other emoluments		**(2,769)**	(8,428)
Depreciation		**(130)**	(682)
Other expenses		**(10,372)**	(20,957)
Gain (loss) arising from changes in fair value of financial instruments held for trading		**8,228**	(2,797)
(Loss) gain arising from changes in fair value of other investment		**(146)**	10,222
Gain (loss) arising from changes in fair value of investment properties		**722**	(29,417)
Loss on disposal of a subsidiary			
– Excluding the translation reserve	36	**(27,994)**	—
– Reclassification from translation reserve upon disposal of the subsidiary	36	**12,689**	—
Share of results of jointly controlled entities		**1,006**	—
Finance costs	7	**(5,822)**	(151)
Loss before taxation		**(16,527)**	(24,965)
Income tax expense	8	**(1,752)**	(1,372)
Loss for the year from continuing operations	9	**(18,279)**	(26,337)
Discontinued operations			
Profit for the year from discontinued operations	10	**—**	16,595
Loss arising from distribution in specie of shares in a subsidiary	37	**—**	(18,371)
		—	(1,776)
Loss for the year		**(18,279)**	(28,113)
Other comprehensive income (expense)			
Exchange differences arising on translation		**13,157**	16,081
Release of translation reserve upon disposal of a subsidiary/ distribution in specie of shares in a subsidiary	36, 37	**(12,689)**	(10,858)
Other comprehensive income for the year		**468**	5,223
Total comprehensive expense for the year		**(17,811)**	(22,890)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(18,699)**	(25,645)
– from discontinued operations		**—**	(3,845)
Loss for the year attributable to owners of the Company		**(18,699)**	(29,490)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Profit (loss) for the year attributable to non-controlling interests			
– from continuing operations		**420**	(692)
– from discontinued operations		**—**	2,069
Profit for the year attributable to non-controlling interests		**420**	1,377
		(18,279)	(28,113)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(18,595)**	(25,459)
Non-controlling interests		**784**	2,569
		(17,811)	(22,890)
From continuing and discontinued operations			
Loss per share - basic (HK cents)	14	**4.20**	6.62
- diluted (HK cents)	14	**4.20**	—
From continuing operations			
Loss per share - basic (HK cents)	14	**4.20**	5.76
- diluted (HK cents)	14	**4.20**	—

Statements of Financial Position

At 31st December, 2011

		THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
	NOTES	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current Assets					
Investment properties	15	**142,593**	311,428	**—**	—
Property, plant and equipment	16	**424**	191	**—**	—
Investments in subsidiaries	17	**—**	—	**13,449**	29
Interests in jointly controlled entities	18	**4,531**	—	**—**	—
Available-for-sale investments	19	**31,766**	—	**—**	—
Amounts due from subsidiaries	20	**—**	—	**94,616**	280,248
Refundable deposit paid	22	**185,025**	—	**—**	—
Deposit for acquisition of investment properties		**9,690**	—	**—**	—
		374,029	311,619	**108,065**	280,277
Current Assets					
Deposits and prepayments	21	**5,802**	6,211	**5,378**	165
Amounts due from jointly controlled entities	18	**1,105**	—	**—**	—
Amount due from a fellow subsidiary	20	**440**	6,091	**—**	—
Amounts due from subsidiaries	20	**—**	—	**739,263**	—
Financial instruments held for trading	23	**508,825**	34,199	**—**	—
Other investment	24	**19,218**	51,364	**—**	—
Taxation recoverable		**—**	107	**—**	—
Short-term bank deposits	25	**529**	40,008	**—**	19,464
Bank balances and cash	25	**273,960**	88,463	**74,772**	20,064
		809,879	226,443	**819,413**	39,693
Current Liabilities					
Other payables and accrued charges	26	**5,137**	10,244	**2,710**	1,002
Refundable deposit received	22	**185,025**	—	**—**	—
Amounts due to minority shareholders of subsidiaries	27	**—**	4,048	**—**	—
Taxation payable		**752**	78	**—**	—
		190,914	14,370	**2,710**	1,002
Net Current Assets		**618,965**	212,073	**816,703**	38,691
Total Assets Less Current Liabilities		**992,994**	523,692	**924,768**	318,968

Statements of Financial Position

At 31st December, 2011

		THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
	NOTES	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital and Reserves					
Share capital	28	**22,275**	22,275	**22,275**	22,275
Share premium and reserves	29	**465,849**	478,865	**402,493**	296,693
Equity attributable to owners of the Company		**488,124**	501,140	**424,768**	318,968
Non-controlling interests		**—**	14,336	**—**	—
Total Equity		**488,124**	515,476	**424,768**	318,968
Non-current Liabilities					
Deferred tax liabilities	30	**4,870**	8,216	**—**	—
Bank borrowings	31	**500,000**	—	**500,000**	—
		504,870	8,216	**500,000**	—
Total Equity and Non-current Liabilities		**992,994**	523,692	**924,768**	318,968

The financial statements on pages 46 to 102 were approved and authorised for issue by the Board of Directors on 7 March 2012 and are signed on its behalf by:

Adrian Sum
DIRECTOR

Li Zhenyu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

	Share capital	Share premium	Share option reserve	Property revaluation reserve	Translation reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2010	22,275	153,728	—	18,840	22,923	418,332	636,098	34,306	670,404
Exchange differences arising on translation of foreign operations	—	—	—	—	14,889	—	14,889	1,192	16,081
Release upon distribution in specie of shares in subsidiary (Note 37)	—	—	—	—	(10,858)	—	(10,858)	—	(10,858)
(Loss) profit for the year	—	—	—	—	—	(29,490)	(29,490)	1,377	(28,113)
Total comprehensive income (expense) for the year	—	—	—	—	4,031	(29,490)	(25,459)	2,569	(22,890)
Release of deferred tax liability upon distribution in specie of shares in a subsidiary (Note 30)	—	—	—	2,766	—	—	2,766	—	2,766
Dividend paid (Note 13)	—	—	—	—	—	(26,730)	(26,730)	(3,884)	(30,614)
Special dividend by way of distribution in specie of shares in a subsidiary (Note 13, 37)	—	—	—	—	—	(85,535)	(85,535)	(18,655)	(104,190)
Release upon distribution in specie of shares in a subsidiary	—	—	—	(21,606)	—	21,606	—	—	—
At 31st December, 2010	22,275	153,728	—	—	26,954	298,183	501,140	14,336	515,476
Exchange differences arising on translation of foreign operations	—	—	—	—	12,793	—	12,793	364	13,157
Release of translation reserve upon disposal of asubsidiary (Note 36)	—	—	—	—	(12,689)	—	(12,689)	—	(12,689)
(Loss) profit for the year	—	—	—	—	—	(18,699)	(18,699)	420	(18,279)
Total comprehensive income (expense) for the year	—	—	—	—	104	(18,699)	(18,595)	784	(17,811)
Dividend paid	—	—	—	—	—	—	—	(247)	(247)
Contribution from a minority shareholder of a subsidiary (Note 38)	—	—	—	—	—	—	—	3,713	3,713
Disposal of a non-wholly owned subsidiary	—	—	—	—	—	—	—	(18,586)	(18,586)
Share-based compensation (Note 6)	—	—	5,579	—	—	—	5,579	—	5,579
At 31st December, 2011	22,275	153,728	5,579	—	27,058	279,484	488,124	—	488,124

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	2011	2010
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(18,279)**	(28,113)
Adjustments for:		
Taxation	**1,752**	1,965
Depreciation	**130**	995
(Gain) loss arising from changes in fair value of financial instruments held for trading	**(8,228)**	2,797
Loss (gain) arising from changes in fair value of other investment	**146**	(10,222)
Share-based compensation	**5,579**	—
Share of results of jointly controlled entities	**(1,006)**	—
Reversal of impairment loss on trade debtors, net	**—**	(1,583)
Write-back of inventories	**—**	(5,755)
(Gain) loss arising from changes in fair value of investment properties	**(722)**	29,417
Loss arising from distribution in specie of shares in a subsidiary	**—**	18,371
Finance costs	**5,822**	1,973
Profit on disposal of property, plant and equipment	**—**	(51)
Interest income from bank deposits	**(768)**	(654)
Loss on disposal of a subsidiary		
– excluding translation reserve	**27,994**	—
– reclassification from translation reserve upon disposal of a subsidiary	**(12,689)**	—
Operating cash flows before movements in working capital	**(269)**	9,140
Increase in inventories	**—**	(8,055)
(Increase) decrease in deposits and prepayments	**(862)**	10,987
Increase in bills receivable	**—**	(5,777)
(Increase) decrease in financial instruments held for trading	**(466,398)**	10,815
Decrease (increase) in other investment	**32,000**	(17,321)
Increase in bills payable	**—**	269
Decrease in other payables and accrued charges	**(227)**	(1,301)
Cash used in operations	**(435,756)**	(1,243)
Hong Kong Profits Tax refunded	**—**	891
Profits tax outside Hong Kong paid	**(917)**	(2,571)
NET CASH USED IN OPERATING ACTIVITIES	**(436,673)**	(2,923)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Disposal of a subsidiary	36	**130,667**	—
Purchase of property, plant and equipment		**(357)**	(399)
Investments in jointly controlled entities		**(3,525)**	—
Advance to jointly controlled entities		**(1,105)**	—
Increase in available-for-sale investments		**(31,766)**	—
Deposit paid for acquiring investment properties		**(9,690)**	—
Refundable deposit paid for potential investment projects	22	**(185,025)**	—
Refundable deposit received	22	**185,025**	—
Interest received from bank deposits		**768**	654
Proceeds from disposal of investment properties		**—**	18,240
Proceeds from disposal of property, plant and equipment		**—**	70
Advance to fellow subsidiaries		**—**	(6,091)
NET CASH FROM INVESTING ACTIVITIES		**84,992**	12,474
FINANCING ACTIVITIES			
New bank borrowings		**500,000**	—
Increase in bank borrowings, net		**—**	38,806
Dividend paid	13	**—**	(26,730)
Distribution in specie	37	**—**	(121,870)
Loan arrangement fees and interest paid		**(4,369)**	(1,973)
Dividend paid to minority shareholders of subsidiaries		**(247)**	(3,884)
Decrease in amounts due to minority shareholders of subsidiaries		**(335)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**495,049**	(115,651)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**143,368**	(106,100)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**128,471**	233,792
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,650**	779
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**274,489**	128,471
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Short-term bank deposits		**529**	40,008
Bank balances and cash		**273,960**	88,463
		274,489	128,471

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

1. GENERAL

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

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

The Company acts as an investment holding company. The principal activities of its subsidiaries and jointly controlled entities are set out in Notes 43 and 18 respectively.

During the year, the Company changed its name to Gemini Investments (Holdings) Limited. Details of these are set out in the section of Directors' Report of the annual report.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

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

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

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011.
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st January, 2012
5 Effective for annual periods beginning on or after 1st July, 2012.
6 Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

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

HKFRS 9 Financial Instruments *(Continued)*

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's classification and measurement of available-for-sale investments which are currently stated at cost less impairment and will be measured at fair value upon application. Regarding the Group's available-for-sale investment, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) - Int 12 *Consolidation - Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) - Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards is not expected to have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be applied in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may result in more extensive disclosures in the financial statements.

Amendments to HKAS 12 Deferred Tax - Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

Amendments to HKAS 12 Deferred Tax - Recovery of Underlying Assets *(Continued)*

The amendments to HKAS 12 are effective for annual periods beginning on or after 1st January, 2012. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties that are measured using the fair value model. Deferred tax liabilities in respect of revaluation of investment properties will be subject to the Law of the People's Republic of China on Land Appreciation Tax (the "LAT") and the deferred tax liabilities in respect to the revaluation of investment properties will be estimated based on recovery of the investment properties through sale. The Group has not early applied these amendments and is in the process of assessing the potential impact.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs).

Revenue recognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Leasehold land and buildings	2% to 2.5% or over the remaining term of the lease, whichever is the shorter
Furniture, fixtures and equipment	20% to $33^1/_3$%
Motor vehicles	16% to 25%
Plant and machinery	20%
Computer equipment	$33^1/_3$%

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

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

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is increased, the surplus is credited directly to equity (property revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in property revaluation reserve may be transferred to retained profits directly.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost, (including deemed capital contribution) less any identified impairment loss.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Other investment

Other investment consists of gold bullions measured at fair value less costs to sell, with changes in fair value arising from remeasurement recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets

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

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

Financial instruments

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

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

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities

Financial liabilities (including other payables and accrued charges, refundable deposit received, amounts due to minority shareholders of subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Dividend

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

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

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Foreign currencies

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

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

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

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

Retirement benefits costs

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The change of the Company's executive directors resulting from group reorganisation has resulted in the inclusion of the sales proceeds from trading financial instruments held for trading as segment revenue in current year. Information on sales proceeds from trading of financial instruments held for trading in prior year is not available for presentation, as part of it was attributable to a group of subsidiaries distributed upon group reorganisation on 7th October, 2010 as described in Note 37.

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

1. Property investments -rental income from leasing of office properties
2. Securities and other investments -investing in various securities and generating investment income

Operations regarding the sales of chemicals and metals was discontinued in prior year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 10.

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

For the year ended 31st December, 2011

Continuing operations

	Property investments	Securities and other investments	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue	12,272	213,416	—	225,688
Less: Sales proceeds from trading of financial instruments held for trading	—	(212,816)	—	(212,816)
Turnover as presented in consolidated statement of comprehensive income	12,272	600	—	12,872
Segment result	9,365	6,998	—	16,363
Interest income from bank deposits				768
Loss on disposal of a subsidiary				(15,305)
Share of results of jointly controlled entities				1,006
Unallocated corporate expenses				(13,537)
Finance costs				(5,822)
Loss before taxation				(16,527)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

4. SEGMENT INFORMATION *(Continued)*

For the year ended 31st December, 2010

Continuing operations

	Property investments	Securities and other investments	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue				
External sales	17,801	926	—	18,727
Inter-segment sales	836	—	(836)	—
Turnover as presented in consolidated statement of comprehensive income	18,637	926	(836)	18,727
Segment result	(13,977)	7,830	—	(6,147)
Interest income from bank deposits				635
Unallocated other income				3,700
Unallocated corporate expenses				(23,002)
Finance costs				(151)
Loss before taxation				(24,965)

Inter-segment sales are charged at prevailing market rates.

Except for the inclusion of sales proceeds from trading 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 operating segments are the same as the Group's accounting policies described in Note 3. Segment result represents the profit or loss by each segment without allocation of interest income from bank deposits, unallocated other income, loss on disposal of a subsidiary, share of results of jointly controlled entities, unallocated corporate expenses (including central administration costs, share-based compensations and directors' remuneration) and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

4. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	31.12.2011	31.12.2010
	HK$'000	HK$'000
Assets		
Segment assets		
– Property investments	**152,842**	323,722
– Securities and other investments	**559,809**	85,593
Unallocated assets	**471,257**	128,747
Consolidated total assets	**1,183,908**	538,062
Liabilities		
Segment liabilities		
– Property investments	**7,603**	2,111
– Securities and other investments	**83**	551
Unallocated liabilities	**688,098**	19,924
Consolidated total liabilities	**695,784**	22,586

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in jointly controlled entities, amounts due from jointly controlled entities, other receivables, refundable deposit paid, taxation recoverable, short-term bank deposits, bank balances and cash; and
- all liabilities are allocated to operating segments other than other payables, refundable deposit received, amounts due to minority shareholders of subsidiaries, taxation payable, bank borrowings and deferred tax liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

4. SEGMENT INFORMATION *(Continued)*

For the year ended 31st December, 2011

Other segment information

Continuing operations

	Property investments	**Securities and other investments**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure	**9,690**	**—**	**9,690**
Depreciation	**82**	**48**	**130**
Gain arising from changes in fair value of investment properties	**722**	**—**	**722**
Gain arising from changes in fair value of financial instruments held for trading	**—**	**8,228**	**8,228**
Loss arising from changes in fair value of other investment	**—**	**(146)**	**(146)**

For the year ended 31st December, 2010

Other segment information

Continuing operations

	Property investments	Securities and other investments	Total
	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure	7	26	33
Depreciation	681	1	682
Loss arising from changes in fair value of investment properties	(29,417)	—	(29,417)
Loss arising from changes in fair value of financial instruments held for trading	—	(2,797)	(2,797)
Gain arising from changes in fair value of other investment	—	10,222	10,222

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

4. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**289**	757	**9,802**	25
Elsewhere in the PRC	**12,272**	17,044	**142,905**	311,594
Others	**311**	926	**—**	—
	12,872	18,727	**152,707**	311,619

Information about major customers

Revenues from two customers of the corresponding years individually contributing over 10% of total revenue of the Group are as follows:

	2011	2010
	HK$'000	HK$'000
Customer A (from property investments segment)	**1,825**	N/A
Customer B (from property investments segment)	**1,525**	N/A
	3,350	N/A

Note: In prior year, no revenue from individual customer contributed over 10% of the total revenue of the Group.

5. OTHER INCOME

Included in other income is interest income from bank deposits of HK$768,000 (2010: HK$635,000).

6. SHARE-BASED COMPENSATION

Equity-settled share option scheme of the Company:

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

6. SHARE-BASED COMPENSATION *(Continued)*

Equity-settled share option scheme of the Company: *(Continued)*

At 31st December, 2011, the number of shares in respect of which share options had been granted and remained outstanding under the Scheme was 9,600,000, representing 2.15% of the shares of the Company in issue at that date. The total number of shares in respect of which share options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

Details of specific categories of options are as follows:

Date of grant	Exercisable period	Exercise Price
26th August, 2011	26th August, 2011 to 22nd June, 2021	HK$1.4

During the year ended 31st December, 2011, 9,600,000 share options were granted and vested on 26th August, 2011. The fair value of the share options granted is HK$5,579,000. No share options were being exercised up to the end of the reporting period.

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

Weighted average share price	HK$1.4
Exercise price	HK$1.4
Expected volatility	51.33%
Expected life	9.82 years
Risk-free rate	1.73%
Expected dividend yield	3.64%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations.

The Group recognised the total expense of HK$5,579,000 for the year ended 31st December, 2011 in relation to share options granted by the Company.

7. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

8. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
The taxation attributable to the Group's continuing operation comprises:		
Current taxation		
Hong Kong Profits Tax	—	215
Profits tax outside Hong Kong	1,698	3,336
	1,698	3,551
Underprovision in prior years		
Hong Kong Profits Tax	—	21
	1,698	3,572
Deferred taxation		
Current year (Note 30)	54	(2,200)
	1,752	1,372

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of relevant PRC subsidiaries of the Company is calculated at 25%.

Details of deferred taxation are set out in Note 30.

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

	Hong Kong		Elsewhere in the PRC		Total	
	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss) profit before taxation from continuing operations	(22,408)	(11,273)	5,881	(13,692)	(16,527)	(24,965)
Applicable tax rate	16.5%	16.5%	25%	25%		
Tax at the applicable income tax rate	(3,697)	(1,860)	1,470	(3,423)	(2,227)	(5,283)
Land appreciation tax	—	—	—	1,409	—	1,409
Tax effect of expenses not deductible for tax purpose	6,208	1,561	851	1,483	7,059	3,044
Tax effect of income not taxable for tax purpose	(2,718)	(105)	(443)	(2,853)	(3,161)	(2,958)
Tax effect of share of results of jointly controlled entities	(166)	—	—	—	(166)	—
Tax effect of unrecognised tax loss	373	1,359	—	—	373	1,359
Underprovision in prior years	—	—	—	21	—	21
Others	—	157	(126)	3,623	(126)	3,780
Income tax expense for the year	—	1,112	1,752	260	1,752	1,372

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2011	2010
	HK$'000	HK$'000
Loss for the year from continuing operations has been arrived at after charging:		
Auditor's remuneration		
– current year	1,200	786
– underprovision in the prior year	15	48
	1,215	834
Rental payments in respect of properties under operating leases	180	324
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	79	(68)
Professional fee arising from the group reorganisation	—	6,603
and after crediting:		
Interest income from investments	40	324
Dividend income from financial instruments held for trading	600	602
Net foreign exchange (gain) loss	(182)	805
Profit on disposal of property, plant and equipment	—	3
Gross rental income from investment properties	12,272	17,801
Less: direct operating expenses from investment properties that generated rental income during the year	(11)	(31)
	12,261	17,770

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

10. DISCONTINUED OPERATIONS

During the year ended 31st December, 2010, the Group discontinued its sales of chemical and metals segment upon the completion of its group reorganisation on 7th October, 2010 where the ordinary shares of Kee Shing Investment (BVI) Limited ("KSL"), following the injection of the trading business of chemical and metals into KSL, were distributed in specie to the Company's shareholders on the basis of one KSL's ordinary share for each of the Company's ordinary share.

The profit for the year ended 31st December, 2010 from the discontinued operations is analysed as follows:

	2010
	HK$'000
Profit for the year from the trading of chemical and metals operations	16,595

The results of the trading of chemical and metals operations for the period from 1st January, 2010 to 7th October, 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	2010
	HK$'000
Revenue	865,146
Cost of sales	(826,897)
Other income	561
Other expenses	(19,800)
Finance costs	(1,822)
Profit before taxation	17,188
Income tax expense	(593)
Profit for the year	16,595

Profit for the year from discontinued operations include the following:

Depreciation	313
Auditor's remuneration	714
Profit on disposal of property, plant and equipment	48
Staff costs	10,476

The carrying amounts of the assets and liabilities of KSL and its subsidiaries at the date of the distribution in specie of KSL's ordinary shares are disclosed in Note 37.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2010: 14) directors were as follows:

2011

	Li Zhenyu	Sum Pui Ying	Li Jianbo	Zhao Yanjie	Li Hongbo	Law Tze Lun	Lo Woon Bor, Henry	Zheng Yun	Total 2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	119	119	–	–	150	150	150	150	838
Other emoluments									
Share-based compensation*	2,325	1,162	–	–	–	–	–	–	3,487
Total emoluments	2,444	1,281	–	–	150	150	150	150	4,325

* Represented the fair value of share options granted which is recognised as an expense in full at the grant date. Such share option were not being exercised up to end of the reporting period.

2010

	Li Jianbo	Zhao Yanjie	Li Hongbo	Law Tze Lun	Lo Woon Bor, Henry	Zheng Yun	Leung Shu Wing	Leung Miu King	Wong Chi Kin	Wong Choi Ying	Yuen Tin Fan, Francis	Wong Kong Chi	Lai Chung Wing, Robert	Chan Wing Lee	Total 2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	–	20	20	20	–	–	–	–	197	197	197	197	848
Other emoluments															
Salaries and other benefits	–	–	–	–	–	–	1,093	936	350	996	–	–	–	–	3,375
Contributions to retirement benefits schemes	–	–	–	–	–	–	–	9	9	9	–	–	–	–	27
Total emoluments	–	–	–	20	20	20	1,093	945	359	1,005	197	197	197	197	4,250

No directors waived any emoluments for each of the years ended 31st December, 2010 and 2011.

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31st December, 2011.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two directors (2010: three directors), details of whose emoluments are included in the amounts disclosed in Note 11 above. The emoluments of the remaining three (2010: two) highest paid employees, other than directors of the Company, are as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,853**	1,510
Share-based compensation	**349**	—
Retirement benefits scheme contributions	**79**	18
	2,281	1,528

Their emoluments were within the following bands:

	2011	2010
	Number of employees	Number of employees
Below HK$1,000,000	**3**	2

13. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2009 of 6 HK cents per ordinary share	**—**	26,730
Special dividend by way of distribution in specie of shares in a subsidiary (Note 37)	**—**	85,535
	—	112,265

No dividend was paid or proposed during the year ended 31st December, 2011, nor has any dividend been proposed since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

14. LOSS PER SHARE

Basic loss per share

For continuing and discontinued operations

The calculation of the basic loss per share attributable to equity holders of the Company is based on the loss for the year of HK$18,699,000 (2010: loss of HK$29,490,000) and on 445,500,000 ordinary shares (2010: 445,500,000 ordinary shares) in issue during the year.

For continuing operations

The calculation of the basic loss per share attributable to equity holders of the Company is based on the loss for the year of HK$18,699,000 (2010: loss of HK$25,645,000) and on 445,500,000 ordinary shares (2010: 445,500,000 ordinary shares) in issue during the year.

For discontinued operations

The basic loss per share attributable to equity holders of the Company was 0.86 HK cents for the year ended 31st December, 2010 which was based on the loss of HK$3,845,000 and on 445,500,000 ordinary shares in issue during the year.

Diluted loss per share

For the year ended 31st December, 2011, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

In prior year, no diluted loss per share has been presented as there were no dilutive potential ordinary shares in issue.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

15. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
FAIR VALUE	
At 1st January, 2010	377,997
Exchange realignment	11,642
Decrease in fair value	(29,417)
Decrease on distribution in specie of shares in a subsidiary (Note 37)	(30,554)
Disposal	(18,240)
At 31st December, 2010	311,428
Exchange realignment	10,814
Increase in fair value	722
Disposal of a subsidiary (Note 36)	(180,371)
At 31st December, 2011	142,593

The Group's investment properties comprise:

	2011	2010
	HK$'000	HK$'000
Properties held under medium-term leases:		
– elsewhere in the PRC	**142,593**	311,428

The fair value of the Group's investment properties located in the PRC as at 31st December, 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation reports on these properties was signed by a director of BMI Appraisals Limited who is a member of the Hong Kong Institute of Surveyors. The valuation of the properties as at 31st December, 2011 and 31st December, 2010 were arrived at using the basis of capitalisation of the net income. In the valuation, the market rentals of all lettable units of the properties were assessed and capitalised at market yield expected by investors for this type of properties. The capitalisation rate adopted was made by reference to the yields derived from analysing the sales transactions and the valuer's knowledge of the market expectation from property investors.

The revaluation of investment properties during the current year gave rise to a net gain arising from changes in fair value of HK$722,000 (2010: net loss arising from change in fair value of HK$29,417,000) which has been recognised in profit or loss.

All the investment properties of the Group are rented out under operating leases.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST						
At 1st January, 2010	36,334	13,495	3,167	1,116	2,222	56,334
Exchange realignment	619	104	79	—	8	810
Additions	—	62	—	292	45	399
Disposals	—	(3,113)	(1,020)	—	(1,514)	(5,647)
Disposed on distribution of subsidiaries (Note 37)	(36,953)	(9,350)	(2,226)	(1,408)	(735)	(50,672)
At 31st December, 2010	—	1,198	—	—	26	1,224
Exchange realignment	—	39	—	—	—	39
Additions	—	131	—	—	226	357
Disposal	—	(816)	—	—	—	(816)
At 31st December, 2011	—	552	—	—	252	804
DEPRECIATION						
At 1st January, 2010	11,215	12,916	2,671	1,098	2,096	29,996
Exchange realignment	180	76	71	—	7	334
Provided for the year	553	257	88	43	54	995
Eliminated on disposal	—	(3,100)	(1,020)	—	(1,508)	(5,628)
Eliminated on distribution in specie of shares in a subsidiary (Note 37)	(11,948)	(9,117)	(1,810)	(1,141)	(648)	(24,664)
At 31st December, 2010	—	1,032	—	—	1	1,033
Exchange realignment	—	33	—	—	—	33
Provided for the year	—	87	—	—	43	130
Eliminated on disposal	—	(816)	—	—	—	(816)
At 31st December, 2011	—	336	—	—	44	380
CARRYING VALUES						
At 31st December, 2011	—	216	—	—	208	424
At 31st December, 2010	—	166	—	—	25	191

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

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

	Furniture, fixtures and equipment	Computer equipment	Total
	HK$'000	HK$'000	HK$'000
THE COMPANY			
COST			
At 1st January, 2010	2,294	1,538	3,832
Additions	—	7	7
Disposals	(2,294)	(1,545)	(3,839)
At 31st December, 2010 and 31st December, 2011	—	—	—
DEPRECIATION			
At 1st January, 2010	2,256	1,474	3,730
Provided for the year	18	28	46
Eliminated on disposals	(2,274)	(1,502)	(3,776)
At 31st December, 2010 and 31st December, 2011	—	—	—
CARRYING VALUES			
At 31st December, 2011 and 31st December, 2010	—	—	—

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost less impairment	**20**	29
Deemed capital contribution (Note 20)	**13,429**	—
	13,449	29

Details of the Company's subsidiaries at 31st December, 2011 and 2010 are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Unlisted investments, at cost	**3,525**	—
Share of post-acquisition profits and other comprehensive income	**1,006**	—
	4,531	—

As at 31st December, 2011, the Group has interests in the following significant jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Proportion of issued share capital directly held by the Group	Principal activities
					%	
Sino Prosperity Real Estate Limited	Incorporated	Cayman Islands	PRC	Ordinary	50%	Investment holdings
Sino Prosperity Real Estate Advisor Limited	Incorporated	Cayman Islands	PRC	Ordinary	50%	Investment advisory

Name of principal subsidiary of jointly controlled entity	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Proportion of issued share capital directly/ indirectly held by the Group	Principal activities
					%	
Sino Prosperity Real Estate (GP) L.P.	Incorporated	Cayman Islands	PRC	Ordinary	50%	Investment holdings

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's interests in the jointly controlled entities, which are accounted for using the equity method, are as follows:

	2011	2010
	HK$'000	HK$'000
Non-current assets	**2,679**	—
Current assets	**2,710**	—
Current liabilities	**(858)**	—

	2011	2010
	HK$'000	HK$'000
Income recognised in profit or loss	**1,136**	—
Expenses recognised in profit or loss	**(130)**	—

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

As at 31st December 2011, the Group has outstanding commitments to make capital contribution to a jointly controlled entity, Sino Prosperity Real Estate (GP) L.P., an entity principally involved in PRC property development project, of approximately US$586,000.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	HK$'000
Unlisted equity investments, at cost	**31,766**	—

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated outside Hong Kong of which the Group holds less than 5% of the equity interest of these investees. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Pursuant to an investment contract, the Group committed to inject capital of US$2,000,000 into an unlisted entity. As at the end of the reporting period, US$800,000 was paid and classified as available-for-sale investments, while the remaining balance shall be paid in the next 3 years. Under the contract, if the Group does not pay the remaining balance, the investee may give notice on the potential forfeiture of the shares held by the Group that are called but have not yet been fully paid-up.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

20. AMOUNTS DUE FROM SUBSIDIARIES AND A FELLOW SUBSIDIARY

The amounts due from subsidiaries and a fellow subsidiary are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the directors, based on their assessment as at 31st December, 2011 of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries of HK$94,616,000 (2010: HK$280,248,000) will not be recovered within one year from the end of the reporting period, accordingly these amounts are classified as non-current. During the year ended 31st December 2011, the principal amounts due from subsidiaries have been initially adjusted to their fair value with a corresponding increase of HK$13,429,000 in investments in subsidiaries. These are regarded as deemed contribution by the Company to these subsidiaries. The effective interest rate on the amounts due from subsidiaries in respect of the year is 2.69% per annum, representing the borrowing rates of the relevant subsidiaries.

21. DEPOSITS AND PREPAYMENTS

The Group and Company did not have any trade debtors at the end of the reporting period.

Movement in the allowance for doubtful debts

	2011	2010
	HK$'000	HK$'000
At beginning of the year	**—**	20,202
Impairment loss recognised on receivables	**—**	148
Impairment loss reversed	**—**	(1,731)
Release upon distribution in specie of shares in a subsidiary	**—**	(18,619)
At end of the year	**—**	—

Included in deposits and prepayments is rental receivables from tenants amounting to HK$231,000 (2010: HK$563,000).

22. REFUNDABLE DEPOSITS PAID/RECEIVED

On 23rd August, 2011, two wholly-owned subsidiaries of the Company, Max Energy Development Limited ("Max") and 杭州盛能投資諮詢有限公司 ("HZ Max"), entered into a memorandum of understanding with an independent third party in Hong Kong for investment cooperation. The third party will help the Group to solicit potential property investment opportunities in Hong Kong and overseas. In return, the Group will help the third party to source for investment opportunities in the PRC. To facilitate the investment cooperation of future joint investment, which may or may not take place, Max paid RMB150,000,000 equivalent Hong Kong dollars to the third party as refundable deposit. Under this arrangement, even if potential projects are identified with terms and conditions subject to further negotiation, the Group still retains full discretion power to decide whether to invest in and whether to use any part or all of the deposit as consideration of future suitable projects. The deposit paid, is fully secured by an amount of RMB150,000,000, on a back to back basis, paid by the third party to HZ Max in the PRC. Both the deposits paid and received are interest-free and repayable on demand.

In the opinion of the directors of the Company, and subject to further evaluation of the directors, such deposit paid is intended for identifying investment projects and is not expected to be called back on day to day basis or within one year from the end of the reporting period. Based on this expectation, this amount is classified as non-current.

23. FINANCIAL INSTRUMENTS HELD FOR TRADING

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**54,243**	7,115
– Equity securities listed in the PRC and the United States of America	**454,582**	27,084
	508,825	34,199

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

24. OTHER INVESTMENT

Other investment represents gold bullions stated at fair values less costs to sell. The fair values are determined by reference to the quoted market price. Any gain or loss arising on measurement is recognised in profit or loss.

25. OTHER FINANCIAL ASSETS

Other financial assets include short-term bank deposits, bank balances and cash.

Short-term bank deposits, bank balances and cash comprise cash and deposits held by the Group and the Company with an original maturity of three months or less.

Bank balances and short-term bank deposits carry interest at market rates with average interest rate of 0.01% and 1% (2010: 0.09% and 1.14%) per annum respectively.

26. OTHER PAYABLES AND ACCRUED CHARGES

Included in other payables and accrued charges is tenants' deposits amounting to HK$2,136,000 (2010: HK$2,694,000).

27. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts due to minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

28. SHARE CAPITAL

	Number of shares		Amount	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Ordinary shares of HK$0.05 each				
Authorised:				
At beginning of year	**700,000,000**	700,000,000	**35,000**	35,000
Increase on 23rd June, 2011	**3,500,000,000**	—	**175,000**	—
At end of year	**4,200,000,000**	700,000,000	**210,000**	35,000
Issued and fully paid:				
At beginning and at end of the years 2010 and 2011	**445,500,000**	445,500,000	**22,275**	22,275

As approved by the shareholders at the extraordinary general meeting held on 23rd June, 2011, the Company increased its authorised share capital from HK$35,000,000 to HK$210,000,000 by the creation of 3,500,000,000 ordinary shares of HK$0.05 each.

29. SHARE PREMIUM AND RESERVES

	Share premium	**Share option reserve**	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY				
At 1st January, 2010	153,728	—	106,138	259,866
Profit for the year	—	—	149,092	149,092
Dividend paid	—	—	(26,730)	(26,730)
Special dividend by way of distribution in specie of shares in a subsidiary	—	—	(85,535)	(85,535)
At 31st December, 2010	153,728	—	142,965	296,693
Profit for the year		—	100,221	100,221
Share-based compensation (Note 6)	—	5,579	—	5,579
At 31st December, 2011	153,728	5,579	243,186	402,493

30. DEFERRED TAX LIABILITIES

The Group's deferred tax liabilities recognised and movements thereon during the current and prior years are set out below:

	Fair value change of investment properties	Revaluation of leasehold land and building	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2010	15,014	2,766	568	18,348
Credit to profit or loss	(2,200)	—	—	(2,200)
Release upon distribution in specie of shares in a subsidiary	(5,438)	(2,766)	(568)	(8,772)
Exchange realignment	840	—	—	840
At 31st December, 2010	8,216	—	—	8,216
Charge to profit or loss	54	—	—	54
Disposals (Note 36)	(3,713)	—	—	(3,713)
Exchange realignment	313	—	—	313
At 31st December, 2011	4,870	—	—	4,870

At the end of the reporting period, the Group had unused tax losses of approximately HK$49,702,000 (2010: HK$63,424,000) available for offset against future profits. The tax losses are subjected to Inland Revenue Department final assessment. No deferred tax assets have been recognised in respect of such losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

31. BANK BORROWINGS

The bank borrowings of the Group and the Company are unsecured, wholly repayable in 2014 and bearing interest at floating rates. The average interest rate for the Group and the Company as at 31st December, 2011 is 2.69% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

32. OPERATING LEASE COMMITMENTS

The Group as lessee:

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within one year	**716**	—
In the second to fifth year inclusive	**550**	—
	1,266	—

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

The Group as lessor:

Property rental income earned during the year is disclosed in Note 9. The properties held have committed tenants for the lease term ranging from one to three years and rentals are fixed over the lease terms.

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within one year	**6,254**	17,551
In the second to fifth year inclusive	**2,275**	18,394
	8,529	35,945

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

33. CAPITAL COMMITMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of investment property	**54,910**	—
– Capital contribution to a jointly controlled entity (Note 18)	**4,554**	—
– Capital contribution to an unlisted equity investment (Note 19)	**9,327**	—
	68,791	—

Pursuant to a sale and purchase agreement dated 29th November, 2011, the Group will acquire an investment property located in Hong Kong for rental purpose for a consideration of HK$64,600,000, of which HK$9,690,000 was paid as deposit at the end of the reporting period. This transaction has not yet been completed as of the date of this report.

34. RETIREMENT BENEFITS SCHEME

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

The retirement benefits cost charged to the consolidated statement of comprehensive income of HK$79,000 (2010: HK$251,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

35. RELATED PARTY TRANSACTIONS

Other than the amounts due from subsidiaries, amounts due from jointly controlled entities and amount due from a fellow subsidiary as disclosed in respective notes and transactions disclosed below, the Group and the Company does not entered into any transactions with related parties.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in Note 11.

During the year ended 31st December, 2011, a corporate guarantee in favour of a bank for the Group's bank borrowings with an outstanding amount of HK$500,000,000 (2010: nil) was given by the ultimate holding company, Sino-Ocean Land Holdings Limited.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

36. DISPOSAL OF A SUBSIDIARY

During the year ended 31st December, 2011, the Company entered into an agreement to dispose the entire equity interest of the Company in Klendo Limited, a non-wholly owned subsidiary of the Company. The disposal was completed on 13th July, 2011.

Prior to disposal, Klendo Limited issued 10,000 shares of HK$1 each to the Company and the non-controlling shareholder in proportionate to their original shareholdings to settle the amounts due to the Company and the non-controlling shareholder amounting to HK$25,471,000 and HK$3,713,000 respectively.

The net assets of Klendo Limited at the date of disposal excluding a provision for impairment losses on disposal of HK$27,994,000 made during the period ended 30th June, 2011 were as follows:

	HK$'000
Consideration received:	
Cash received	137,000
Analysis of assets and liabilities over which control was lost:	
Investment properties	180,371
Deposits and prepayments	1,271
Amount due from a fellow subsidiary	5,651
Bank balances	6,333
Deposits received	(6,333)
Deferred tax liabilities	(3,713)
Net assets disposed of	183,580
Loss on disposal of a subsidiary:	
Consideration received	137,000
Net assets disposed of	(183,580)
Non-controlling interests	18,586
Cumulative exchange differences in respect of the net assets of the disposed subsidiary reclassified from equity to profit or loss	12,689
Loss on disposal	(15,305)
Loss on disposal comprises:	
Provision for impairment losses on disposal	(27,994)
Reclassification from translation reserve upon disposal of the subsidiary	12,689
	(15,305)
Net cash inflow arising on disposal:	
Cash consideration	137,000
Less: bank balances disposed of	(6,333)
	130,667

Klendo Limited did not contribute significantly to the Group's cash flows, revenue, expenses, income tax expenses or profit attributable to owners of the Company during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

37. DISTRIBUTION IN SPECIE OF SHARES IN A SUBSIDIARY

At an extraordinary general meeting held on 7th October, 2010, the shareholders of the Company approved the group reorganisation which required the transfer of the subsidiaries carrying on trading business of chemicals and metals to KSL and a subsequent payment of a special dividend for the year ended 31st December, 2010 satisfied by way of a distribution in specie of ordinary shares in KSL.

The net assets of the subsidiaries were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	30,554
Property, plant and equipment	26,008
Inventories	87,534
Debtors, deposits and prepayment	59,512
Bills receivable	8,565
Financial instruments held for trading	54,860
Bank balances and cash	121,870
Creditors and accrued charges	(18,055)
Bills payable	(269)
Deferred taxation liabilities	(6,006)
Taxation payable	(3,493)
Bank borrowings	(227,661)
Net assets transferred	133,419
Loss arising from distribution in specie of shares in a subsidiary:	
Distribution of shares in KSL at fair value	85,535
Net assets transferred	(133,419)
Non-controlling interests	18,655
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on distribution in specie of shares in a subsidiary	10,858
Loss on distribution	(18,371)
Net cash outflow arising on distribution in specie of shares in a subsidiary:	
Bank balances and cash	(121,870)

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2011, the amount due to a non-controlling shareholder of a subsidiary in the total amount of HK$3,713,000 was settled by applying the subscription money of HK$3,713,000 receivable from that non-controlling shareholder of a subsidiary in relation to the issuance of 1,000 shares of HK$1 each in the share capital of that subsidiary. Detail please refer to Note 36.

In prior year, certain interests in subsidiaries have been distributed to the shareholders of the Company. Further details of the distribution are set out in Notes 10, 13 and 37.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

39. CAPITAL RISK MANAGEMENT

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

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

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

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

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investment	**31,766**	—	**—**	—
FVTPL - Held for trading	**508,825**	34,199	**—**	—
Loans and receivables (including cash and cash equivalents)	**461,059**	138,464	**908,651**	319,776
Financial liabilities				
Amortised cost	**688,026**	5,872	**502,710**	1,002

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through various internal management reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures such risks.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency risk management

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

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

	Assets		**Liabilities**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
United States dollar	**14,927**	97,411	**—**	—
Swiss franc	**—**	306	**—**	—
Singapore dollar	**—**	294	**—**	—
Australian dollar	**—**	12,834	**—**	—
Renminbi	**239,723**	2	**—**	—
Hong Kong dollar	**85,640**	76	**—**	4,278
	340,290	110,923	**—**	4,278
THE COMPANY				
United States dollar	**8,566**	39,185		—
Renminbi	**49,471**	—	**—**	—
	58,037	39,185	**—**	—

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Foreign currency risk management *(Continued)*

Foreign currency sensitivity

As Hong Kong dollar is currently pegged to United States dollar, management considers that the exposure to exchange fluctuation in respect of United States dollar is limited as the relevant group entities have Hong Kong dollar as their functional currency. The Group therefore mainly exposed to other currencies.

The following table indicates the approximate change in the Group's and Company's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group and the Company have significant exposure at the end of the prior reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date.

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates over the next reporting period. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into Hong Kong dollar at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive (negative) number represented a decrease in loss (increase in loss).

	2011		2010	
	Increase (decrease) in foreign exchange rates	**Effect on profit or loss**	Increase (decrease) in foreign exchange rates	Effect on profit or loss
		HK$'000		HK$'000
THE GROUP				
Renminbi against Hong Kong dollar	**10%**	**23,972**	10%	—
	(10%)	**(23,972)**	(10%)	—
Swiss franc against Hong Kong dollar	**10%**	**—**	10%	31
	(10%)	**—**	(10%)	(31)
Singapore dollar against Hong Kong dollar	**10%**	**—**	10%	29
	(10%)	**—**	(10%)	(29)
Australian dollar against Hong Kong dollar	**10%**	**—**	10%	1,283
	(10%)	**—**	(10%)	(1,283)
THE COMPANY				
Renminbi against Hong Kong dollar	**10%**	**4,947**	10%	—
	(10%)	**(4,947)**	(10%)	—

40. FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk management

The Group obtained financing through bank borrowings. The bank borrowings bear interests on floating rates and matured in 2014. Accordingly, the Group is not exposed to significant fair value interest rate risk. The Group analyses its interest rate exposure on a dynamic basis, but the Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk.

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments (representing variable rate bank borrowings as at 31st December, 2011) and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used as it represents management's assessment of the possible change in interest rate.

If interest rates of bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2011 would increase/decrease by HK$2,500,000 (2010: nil).

(e) Other price risks

The Group is exposed to price risk through its investment held for trading, comprising listed equity securities measured at fair value and the available-for-sale investments measured at cost at the end of the reporting period. The management has performed analysis of the nature of market risk associated with the equity securities, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group and located in different jurisdictions.

Price sensitivity

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

If the prices of the respective equity securities had been 10% higher/lower, the Group's loss for the year ended 31st December, 2011 would decrease/increase by HK$50,883,000 (2010: loss would decrease/increase by HK$3,420,000) as a result of the changes in fair value of financial instruments held-for-trading.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

40. FINANCIAL INSTRUMENTS *(Continued)*

(f) Credit risk management

Except for the deposit paid to an independent third party which are described in Note 22, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and investments is limited because directors consider that the counterparties are financially sound.

The deposit paid is fully secured by a deposit received; accordingly the directors considered that the credit risk is limited.

The Company has concentration of credit risk as approximate 91% (2010: 88%) of the total assets of the Company were amounts due from subsidiaries.

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

As at 31st December, 2011, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

(g) Liquidity risk management

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

Liquidity information

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

40. FINANCIAL INSTRUMENTS *(Continued)*

(g) Liquidity risk management *(Continued)*

Liquidity information ***(Continued)***

THE GROUP

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1 - 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31st December, 2011							
Other payables and accrued charges	—	3,001	—	—	2,136	5,137	5,137
Refundable deposit received		185,025	—	—	—	185,025	185,025
Bank borrowings	2.69	—	2,242	10,088	521,296	533,626	500,000
		188,026	2,242	10,088	523,432	723,788	690,162
31st December, 2010							
Other payables and accrued charges	—	1,743	81	—	2,328	4,152	4,152
Amounts due to minority shareholders of subsidiaries	—	4,048	—	—	—	4,048	4,048
		5,791	81	—	2,328	8,200	8,200

THE COMPANY

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1 - 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31st December, 2011							
Other payables and accrued charges	—	2,710	—	—	—	2,710	2,710
Bank borrowings	—	—	2,242	10,088	521,296	533,626	500,000
		2,710	2,242	10,088	521,296	536,336	502,710
31st December, 2010							
Other payables and accrued charges	—	941	61	—	—	1,002	1,002

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

40. FINANCIAL INSTRUMENTS *(Continued)*

(h) Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

The financial instruments held for trading is measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. As at 31st December, 2011, the fair value of financial instruments held for trading is HK$508,825,000 (2010: HK$34,199,000).

Other than set out in Note 23, the fair value of other financial assets and all financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

41. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the directors have considered the following key sources of estimation uncertainty at the end of the reporting period, that would have significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

As described in Notes 3 and 15, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves estimates in market rental and rental yield. In relying on the valuation report, the directors have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

42. EVENT AFTER THE REPORTING PERIOD

On 23rd February, 2012, the Group entered into a sale and purchase agreement with an independent third party to acquire several commercial units located in Hong Kong for a consideration of HK$42,485,000. The acquisition is expected to be completed in April 2012. This investment property will be held to earn rentals and/or for capital appreciation.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

43. SUBSIDIARIES

Particulars of the subsidiaries as at 31st December, 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2011 **%**	2010 %	
E.P. Resources Limited	Hong Kong	Hong Kong	HK$10,000	**100***	100*	Securities investment
Joy Sky Capital Investment Limited	Hong Kong	Hong Kong	HK$1	**100***	100*	Investment holding
Gemini Investment (HK) Limited (formerly known as Kee Shing International Limited)	Hong Kong	Hong Kong	HK$2	**100***	100*	Securities investment
Klendo Limited	Hong Kong	Elsewhere in the PRC	HK$20,000	**—**	90*	Property investment
Trendex Investment Limited	Hong Kong	Elsewhere in the PRC	HK$10,000	**100***	100*	Property investment
Gemini Property Investments Limited (formerly known as Gemini Property Holdings Limited and Gemini Investments (Holdings) Limited)	Hong Kong	Hong Kong	HK$1	**100**	100*	Inactive
Gemini Property (HK) Limited (formerly known as Gemini Property Investments Limited)	Hong Kong	Hong Kong	HK$1	**100**	100*	Inactive
Billion Fast Corporation Limited	Hong Kong	Hong Kong	HK$1	**100**	—	Inactive
Huge Bloom Investment Limited	Hong Kong	Hong Kong	HK$1	**100**	—	Inactive
Max Energy Development Limited	Hong Kong	Hong Kong	HK$1	**100**	—	Investment holding
Chance Bright Limited	Cayman Islands	Hong Kong	US$1	**100***	—	Investment holding
Billion Thrive Limited	British Virgin Islands ("BVI")	Hong Kong	US$1	**100**	—	Property investment
Jian Feng Holdings Limited	BVI	Hong Kong	US$1	**100**	—	Inactive
Jin Ying Investments Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
Sheng Hai Limited	BVI	Hong Kong	US$1	**100**	—	Inactive

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

43. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital	Percentage of issued/ registered capital held by the Company		Principal activities
				2011 **%**	2010 %	
Sheng Mao Investments Limited	BVI	Hong Kong	US$1	**100***	—	Investment holding
Soar Ocean Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
Soar Profit Holdings Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
Soar Talent Holdings Limited	BVI	Hong Kong	US$1	**100**	—	Investment holding
杭州盛能投資諮詢有限公司#	PRC	Elsewhere in the PRC	US$16,000	**100**	—	Investment holding
盛洋（北京）投資顧問有限公司#	PRC	Elsewhere in the PRC	RMB100,000	**100**	—	Investment holding

* Directly held by the Company

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

Five-Year Financial Summary

Consolidated Statement of Comprehensive Income

For the year ended 31st December,

	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	**HK$'000**
Turnover	2,271,092	1,782,553	24,678	18,727	**12,872**
Profit/(Loss) before taxation	111,799	(87,146)	89,015	(24,965)	**(16,527)**
Taxation	(9,953)	(1,812)	(10,232)	(1,372)	**(1,752)**
Profit/(Loss) for the year	101,846	(88,958)	78,783	(26,337)	**(18,279)**

Consolidated Statement of Financial Position

As at 31st December,

	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,198,764	841,848	913,370	538,062	**1,183,908**
Total liabilities	(503,900)	(255,535)	(242,966)	(22,586)	**(695,784)**
	694,864	586,313	670,404	515,476	**488,124**
Equity attributable to:					
Equity holders of the parent	664,809	555,380	636,098	501,140	**488,124**
Non-controlling interests	30,055	30,933	34,306	14,336	**—**
	694,864	586,313	670,404	515,476	**488,124**

Corporate Information

BOARD OF DIRECTORS

Executive Director

LI Zhenyu (Chief Executive Officer)

Non-executive Directors

SUM Pui Ying (Chairman)
LI Hongbo

Independent Non-executive Directors

LAW Tze Lun
LO Woon Bor, Henry
ZHENG Yun

AUDIT COMMITTEE

LAW Tze Lun - Chairman
LO Woon Bor, Henry
ZHENG Yun

REMUNERATION COMMITTEE

LAW Tze Lun - Chairman
LO Woon Bor, Henry
ZHENG Yun

NOMINATION COMMITTEE

SUM Pui Ying - Chairman
LAW Tze Lun
LO Woon Bor, Henry
ZHENG Yun

INVESTMENT COMMITTEE

LI Zhenyu - Chairman
SUM Pui Ying
LAW Tze Lun

COMPANY SECRETARY

NGAN Chui Wan

AUTHORIZED REPRESENTATIVES

SUM Pui Ying
NGAN Chui Wan

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

DBS Bank Limited
China Construction Bank Corporation
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3709, 37/F.,
Lippo Centre Tower 2
89 Queensway
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 174

COMPANY WEBSITE

www.geminiinvestments.com.hk