



# China Gem Holdings Limited

## 中國中石控股有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1191)

# 2016-2017

## SECOND INTERIM REPORT



# CONTENTS

|  |    |
|--|----|
| CORPORATE INFORMATION  | 2  |
| CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND<br>OTHER COMPREHENSIVE INCOME | 4  |
| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION                               | 6  |
| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY                                | 8  |
| CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS                                       | 9  |
| NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS                             | 10 |
| MANAGEMENT DISCUSSION AND ANALYSIS   | 23 |
| OTHER INFORMATION  | 28 |



# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Liu Jieshan, *Chairman*  
(appointed on 9 February 2017)  
Mr. Cui Lei, *Chief Executive*  
(appointed on 9 February 2017)  
Mr. Yang Huaijun, *Vice Chief Executive*  
(appointed on 8 May 2017)  
Mr. Han Litie, *Chief Financial Officer*  
(appointed on 8 May 2017)  
Ms. Kwan Shan (resigned on 8 May 2017)  
Dr. Yang Zijiang  
(resigned on 9 February 2017)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming  
Mr. Su Xihe (appointed on 8 May 2017)  
Mr. Wong Wai Chun Alex  
(appointed on 8 May 2017)  
Mr. Lin Chaofan (resigned on 8 May 2017)  
Ms. Deng Chunmei  
(resigned on 8 May 2017)

## BOARD COMMITTEES

### Audit Committee

Mr. Wu Shiming (*Chairman*)  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

### Remuneration Committee

Mr. Wu Shiming (*Chairman*)  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

### Nomination Committee

Mr. Liu Jieshan (*Chairman*)  
Mr. Wu Shiming  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex

## COMPANY SECRETARY

Mr. Lo Wah Wai (appointed on 8 May 2017)  
Ms. Kwan Shan (resigned on 8 May 2017)

## AUTHORISED REPRESENTATIVES

Mr. Cui Lei  
Mr. Lo Wah Wai

## AUDITOR

BDO Limited  
Certified Public Accountants  
25/F., Wing On Centre,  
111 Connaught Road Central  
Hong Kong

## PRINCIPAL BANKERS

Chiyu Banking Corporation Limited  
Bank of Communications Co., Ltd.

## LEGAL ADVISERS


*On Bermuda Law*  
Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place, Central  
Hong Kong

*On Hong Kong Law*  
ReedSmith Richards Butler  
20th Floor Alexandra House  
18 Chater Road, Central  
Hong Kong

Angela Ho & Associate  
Unit 1405, 14/F., Tower 1  
Admiralty Centre  
18 Harcourt Road, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM 08  
Bermuda



## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 2606B, 26/F.  
Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

## **WEBSITE**

[www.1191hk.com](http://www.1191hk.com)

## **STOCK CODE**

1191



The board (the "Board") of directors (the "Directors") of China Gem Holdings Limited (formerly known as Yueshou Environmental Holdings Limited) (the "Company", together with its subsidiaries, the "Group") announces the unaudited condensed consolidated results of the Company for the eleven months ended 30 June 2017 together with comparative figures as follows. These second interim financial statements have not been audited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the five months and eleven months ended 30 June 2017

|   | Notes | Five months ended<br>30 June    |                                 | Eleven months ended<br>30 June  |                                 |
|---|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   |       | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Revenue   | 4     | 2,188                           | 4,689                           | 5,467                           | 8,913                           |
| Cost of sales and services  |       | (813)                           | (1,016)                         | (1,647)                         | (2,261)                         |
| Gross profit  |       | 1,375                           | 3,673                           | 3,820                           | 6,652                           |
| Other revenue and other gains and losses                                  |       | (299)                           | 1,809                           | 1,162                           | 1,882                           |
| Administrative expenses   |       | (15,784)                        | (12,290)                        | (27,228)                        | (22,769)                        |
| Fair value gains/(losses) on investment properties                        |       | 40,834                          | 6,578                           | 76,240                          | (5,124)                         |
| Fair value (losses)/gains on investments held for trading                 |       | (12,273)                        | 3,378                           | (11,353)                        | (1,603)                         |
| Finance costs   | 7     | (211)                           | (208)                           | (466)                           | (465)                           |
| Profit/(loss) before income tax   |       | 13,642                          | 2,940                           | 42,175                          | (21,427)                        |
| Income tax  | 8     | (20,038)                        | (3,984)                         | (38,243)                        | (1,399)                         |
| <b>Profit/(loss) for the period attributable to owners of the Company</b> |       | <b>(6,396)</b>                  | <b>(1,044)</b>                  | <b>3,932</b>                    | <b>(22,826)</b>                 |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the five months and eleven months ended 30 June 2017

| Notes  | Five months ended<br>30 June    |                                 | Eleven months ended<br>30 June  |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| <b>Other comprehensive income for the period</b>                                       |                                 |                                 |                                 |                                 |
| <i>Items that may be reclassified subsequently to profit or loss</i>                   |                                 |                                 |                                 |                                 |
| Exchange differences on translation of foreign operations                              | 104                             | (1,662)                         | (116)                           | (447)                           |
| Fair value gain on available-for-sale financial assets                                 | 1,096                           | –                               | 1,096                           | –                               |
|  | 1,200                           | (1,662)                         | 980                             | (447)                           |
| <b>Total comprehensive income for the period attributable to owners of the Company</b> | <b>(5,196)</b>                  | <b>(2,706)</b>                  | <b>4,912</b>                    | <b>(23,273)</b>                 |
| <b>Earnings/(loss) per share</b>   | <b>HK cent</b>                  | <b>HK cent</b>                  | <b>HK cent</b>                  | <b>HK cent</b>                  |
| — Basic and diluted  | 9 (0.18)                        | (0.03)                          | 0.11                            | (0.72)                          |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

|  | Notes | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|--|-------|--|--|
| <b>Non-current assets</b>                    |       |  |  |
| Property, plant and equipment                |       | 2,306                                      | 1,623                                    |
| Investment properties                        | 10    | 249,586                                    | 173,346                                  |
| Intangible assets                            |       | 2,774                                      | 4,141                                    |
| Rental deposits                              |       | 240  | –  |
| Available-for-sale financial assets          | 11    | 101,096                                    | –  |
| <b>Total non-current assets</b>              |       | <b>356,002</b>                             | 179,110                                  |
| <b>Current assets</b>                        |       |  |  |
| Properties held for sale                     |       | 7,240                                      | 7,240                                    |
| Properties under development                 |       | 31,431                                     | 31,431                                   |
| Loan and other receivables                   | 12    | 87,760                                     | 50,101                                   |
| Deposits and prepayments                     | 13    | 1,947                                      | 6,001                                    |
| Investments held for trading                 | 14    | 15,649                                     | 27,002                                   |
| Bank balances and cash                       |       | 92,918                                     | 101,822                                  |
| <b>Total current assets</b>                  |       | <b>236,945</b>                             | 223,597                                  |
| <b>Current liabilities</b>                   |       |  |  |
| Trade and other payables                     | 15    | 31,110                                     | 30,391                                   |
| Accruals                                     |       | 3,365                                      | 2,904                                    |
| Loan from a shareholder                      | 16    | 49,598                                     | 49,598                                   |
| Tax payable                                  |       | 343  | 343                                      |
| <b>Total current liabilities</b>             |       | <b>84,416</b>                              | 83,236                                   |
| <b>Net current assets</b>                    |       | <b>152,529</b>                             | 140,361                                  |
| <b>Total assets less current liabilities</b> |       | <b>508,531</b>                             | 319,471                                  |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

|   | Notes | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|---|-------|--|--|
| <b>Non-current liabilities</b>                                    |       |  |  |
| Deferred tax liabilities  |       | 66,211                                     | 27,968                                   |
| <b>NET ASSETS</b>   |       | <b>442,320</b>                             | 291,503                                  |
| <b>Capital and reserves attributable to owners of the Company</b> |       |  |  |
| Share capital   | 17    | 35,954                                     | 29,962                                   |
| Reserves  |       | 406,366                                    | 261,541                                  |
| <b>TOTAL EQUITY</b>   |       | <b>442,320</b>                             | 291,503                                  |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the eleven months ended 30 June 2017 (Unaudited)

|   | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Distributable reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Fair value reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------|---------------------------|-----------------------------|------------------------------|-----------------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------|
| At 1 August 2016  | 29,962                    | 1,689,752                 | 11,613                      | 6,408                        | 77,033                            | 1,080,948                       | -                              | (2,604,213)                    | 291,503           |
| Profit for the period                                     | -                         | -                         | -                           | -                            | -                                 | -                               | -                              | 3,932                          | 3,932             |
| Other comprehensive income for the period:                |                           |                           |                             |                              |                                   |                                 |                                |                                |                   |
| Exchange differences on translation of foreign operations | -                         | -                         | -                           | (116)                        | -                                 | -                               | -                              | -                              | (116)             |
| Fair value gain on available-for-sale financial assets    | -                         | -                         | -                           | -                            | -                                 | -                               | 1,096                          | -                              | 1,096             |
|   | -                         | -                         | -                           | (116)                        | -                                 | -                               | 1,096                          | -                              | 980               |
| Total comprehensive income for the period                 | -                         | -                         | -                           | (116)                        | -                                 | -                               | 1,096                          | 3,932                          | 4,912             |
| Transaction with owners:                                  |                           |                           |                             |                              |                                   |                                 |                                |                                |                   |
| Issue of new shares for placing                           | 5,992                     | 139,913                   | -                           | -                            | -                                 | -                               | -                              | -                              | 145,905           |
| At 30 June 2017   | 35,954                    | 1,829,665                 | 11,613                      | 6,292                        | 77,033                            | 1,080,948                       | 1,096                          | (2,600,281)                    | 442,320           |

For the eleven months ended 30 June 2016 (Unaudited)

|   | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Distributable reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Fair value reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------|---------------------------|-----------------------------|------------------------------|-----------------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------|
| At 1 August 2015  | 29,962                    | 1,689,752                 | 11,613                      | 6,852                        | 77,033                            | 1,080,948                       | -                              | (2,581,671)                    | 314,489           |
| Loss for the period                                       | -                         | -                         | -                           | -                            | -                                 | -                               | -                              | (22,826)                       | (22,826)          |
| Other comprehensive income for the period:                |                           |                           |                             |                              |                                   |                                 |                                |                                |                   |
| Exchange differences on translation of foreign operations | -                         | -                         | -                           | (447)                        | -                                 | -                               | -                              | -                              | (447)             |
| Total comprehensive income for the period                 | -                         | -                         | -                           | (447)                        | -                                 | -                               | -                              | (22,826)                       | (23,273)          |
| At 30 June 2016   | 29,962                    | 1,689,752                 | 11,613                      | 6,405                        | 77,033                            | 1,080,948                       | -                              | (2,604,497)                    | 291,216           |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the eleven months 30 June 2017

|  | Eleven months ended<br>30 June  |                                 |
|--|---------------------------------|---------------------------------|
|  | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Net cash used in operating activities                    | <b>(53,770)</b>                 | (82,708)                        |
| Net cash used in investing activities                    | <b>(100,923)</b>                | (4,431)                         |
| Net cash from/(used in) financing activities             | <b>145,905</b>                  | (3,000)                         |
| Decrease in cash and cash equivalents                    | <b>(8,788)</b>                  | (90,139)                        |
| Cash and cash equivalents at the beginning of the period | <b>101,822</b>                  | 191,608                         |
| Effect of foreign exchange rate changes                  | <b>(116)</b>                    | (97)                            |
| Cash and cash equivalents at the end of the period       | <b>92,918</b>                   | 101,372                         |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the eleven months ended 30 June 2017

## 1. CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 7 July 2017 and with the approval of the Registrar of Companies in Bermuda on 14 July 2017 and the Registrar of Companies in Hong Kong on 25 August 2017, the name of the Company was changed from Yueshou Environmental Holdings Limited to China Gem Holdings Limited.

## 2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Board dated 16 June 2017, the Company's financial year end date was changed from 31 July to 31 December. The forthcoming annual report including audited consolidated financial statements of the Group will cover a financial period of 17 months from 1 August 2016 to 31 December 2017. Accordingly, the current interim financial period covers the eleven months ended 30 June 2017 and the comparative figures cover the eleven months ended 30 June 2016.

## 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Interim Financial Statements do not include all the information and disclosure required in the annual consolidated financial statements of the Company and its subsidiaries (the "Group"), and should be read in conjunction with the annual consolidated financial statements for the year ended 31 July 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 31 July 2016.

In the current interim period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

HKFRSs (Amendments)  
Amendments to HKAS 1  
Amendments to HKAS 16  
and HKAS 38

Annual Improvements 2010–2014 Cycle  
Disclosure Initiative  
Clarification of Acceptable Methods of Depreciation and  
Amortisation

### **Amendments to HKAS 1 — Disclosure Initiative**

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no significant impact on the Group's financial statements.

### **Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on the Group's financial statements as the Group has not previously used revenue-based depreciation methods.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

|                        |   |
|------------------------|---|
| Amendments to HKAS 7   | Disclosure Initiative <sup>1</sup>  |
| Amendments to HKAS 12  | Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>           |
| Amendments to HKFRS 2  | Classification and Measurement of Share-Based Payment Transactions <sup>2</sup> |
| HKFRS 9                | Financial Instrument <sup>2</sup>   |
| HKFRS 15               | Revenue from Contracts with Customers <sup>2</sup>                              |
| Amendments to HKFRS 15 | Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>2</sup> |
| HKFRS 16               | Leases <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

### **Amendments to HKAS 7 — Disclosure Initiative**

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

### **Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses**

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

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

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

## **HKFRS 9 — Financial Instruments**

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

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

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

## **HKFRS 15 — Revenue from Contracts with Customers**

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

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

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

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

## HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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

## HKFRS 16 — Leases

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

The Interim Financial Statements have been prepared on historical cost basis except for investment properties, available-for-sale financial assets and investments held for trading, which are measured at fair values, as appropriate.

## 4. REVENUE

Revenue represents the aggregate of sales revenue from the sales of properties in the People’s Republic of China (the “PRC”), rental and building management fee income from properties in the PRC, and loan interest income from money lending business.

|                                | Five months ended               |                                 | Eleven months ended             |                                 |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Sales of property in the PRC   | –                               | 280                             | –                               | 280                             |
| Rental income                  | 913                             | 941                             | 1,929                           | 2,091                           |
| Building management fee income | 611                             | 730                             | 1,394                           | 1,572                           |
| Loan interest income           | 664                             | 2,738                           | 2,144                           | 4,970                           |
|                                | <b>2,188</b>                    | 4,689                           | <b>5,467</b>                    | 8,913                           |



## 5. SEGMENT INFORMATION

During the eleven months ended 30 June 2017, the Group had three (2016: two) reportable segments, (i) financial services, (ii) property development, and (iii) fund investment.

An analysis of the Group's revenue and results by reportable segment for the five months and eleven months ended 30 June 2017 and 2016 are presented below:

|   | Five months ended 30 June (Unaudited) |                  |                      |                  |                  |                  |                  |                  |
|---|---------------------------------------|------------------|----------------------|------------------|------------------|------------------|------------------|------------------|
|   | Financial services                    |                  | Property development |                  | Fund investment  |                  | Total            |                  |
|   | 2017<br>HK\$'000                      | 2016<br>HK\$'000 | 2017<br>HK\$'000     | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| REVENUE                                   | 664                                   | 2,738            | 1,524                | 1,951            | –                | –                | 2,188            | 4,689            |
| RESULTS                                   |                                       |                  |                      |                  |                  |                  |                  |                  |
| Segment (loss)/profit                     | (1,479)                               | 1,704            | 40,010               | 6,477            | (1,542)          | –                | 36,989           | 8,181            |
| Unallocated corporate expenses            |                                       |                  |                      |                  |                  |                  | (22,575)         | (5,182)          |
| Unallocated corporate income              |                                       |                  |                      |                  |                  |                  | (561)            | 149              |
| Finance costs                             |                                       |                  |                      |                  |                  |                  | (211)            | (208)            |
| Profit before income tax                  |                                       |                  |                      |                  |                  |                  | 13,642           | 2,940            |
| Fair value gains on investment properties | –                                     | –                | 40,834               | 6,578            | –                | –                | 40,834           | 6,578            |

|  | Eleven months ended 30 June (Unaudited) |                  |                      |                  |                  |                  |                  |                  |
|--|---|------------------|----------------------|------------------|------------------|------------------|------------------|------------------|
|  | Financial services                      |                  | Property development |                  | Fund investment  |                  | Total            |                  |
|  | 2017<br>HK\$'000                        | 2016<br>HK\$'000 | 2017<br>HK\$'000     | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2016<br>HK\$'000 |
| REVENUE  | 2,144                                   | 4,970            | 3,323                | 3,943            | –                | –                | 5,467            | 8,913            |
| RESULTS  |   |                  |                      |                  |                  |                  |                  |                  |
| Segment (loss)/profit                              | (2,529)                                 | 3,877            | 73,738               | (4,478)          | (1,542)          | –                | 69,667           | (601)            |
| Unallocated corporate expenses                     |   |                  |                      |                  |                  |                  | (27,672)         | (20,510)         |
| Unallocated corporate income                       |   |                  |                      |                  |                  |                  | 646              | 149              |
| Finance costs                                      |   |                  |                      |                  |                  |                  | (466)            | (465)            |
| Profit/(loss) before income tax                    |   |                  |                      |                  |                  |                  | 42,175           | (21,427)         |
| Fair value gains/(losses) on investment properties | –                                       | –                | 76,240               | (5,124)          | –                | –                | 76,240           | (5,124)          |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales on the current period (2016: Nil).

|                                | Financial services                         |  | Property development                       |  | Fund investment                            |  | Total                                      |  |
|--------------------------------|--|--|--|--|--|--|--|--|
|                                | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|                                | Reportable segment assets                  | 104,911                                  | 58,219                                     | 293,258                                  | 222,957                                    | 112,586                                  | -  | 510,755                                  |
| Reportable segment liabilities | (343)                                      | (343)                                    | (29,889)                                   | (29,978)                                 | (635)                                      | -  | (30,867)                                   | (30,321)                                 |

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

Profit/(loss) before income tax has been arrived at after charging:

|  | Five months ended<br>30 June                  |                                 | Eleven months ended<br>30 June  |                                 |
|--|---|---------------------------------|---------------------------------|---------------------------------|
|  | 2017<br>(Unaudited)<br>HK\$'000               | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
|  | Depreciation of property, plant and equipment | 305                             | 476                             | 874                             |
| Operating lease charges in respect of land and buildings   | 824   | 363                             | 1,302                           | 902                             |
| Impairment provision against deposits paid for legal claim | -   | 7,000                           | -                               | 7,000                           |
| Staff costs, including directors' remuneration:            |   |                                 |                                 |                                 |
| — Retirement benefits scheme contributions                 | 207   | 140                             | 301                             | 242                             |
| — Salaries and other benefits                              | 6,257   | 2,852                           | 10,386                          | 5,884                           |

## 7. FINANCE COSTS

|  | Five months ended<br>30 June                 |                                 | Eleven months ended<br>30 June  |                                 |
|--|--|---------------------------------|---------------------------------|---------------------------------|
|  | 2017<br>(Unaudited)<br>HK\$'000              | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
|  | Interest expenses on loan from a shareholder | 211                             | 208                             | 466                             |

## 8. INCOME TAX

The amount of income tax in the condensed consolidated statement of profit or loss and other comprehensive income represents:

|                  | Five months ended<br>30 June    |                                 | Eleven months ended<br>30 June  |                                 |
|------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                  | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Current tax      |                                 |                                 |                                 |                                 |
| — current period | —                               | 315                             | —                               | 315                             |
| Deferred tax     |                                 |                                 |                                 |                                 |
| — current period | 20,038                          | 3,669                           | 38,243                          | 1,084                           |
|                  | 20,038                          | 3,984                           | 38,243                          | 1,399                           |

No provision for Hong Kong Profits Tax was made for the eleven months ended 30 June 2017 as the Company and its respective subsidiaries in Hong Kong incurred tax losses for the period.

Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits during the eleven months ended 30 June 2016.

No provision for Enterprise Income Tax in the PRC was made for the period as the respective subsidiaries operated in the PRC incurred tax loss for the period.

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

|   | Five months ended<br>30 June    |                                 | Eleven months ended<br>30 June  |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Profit/(loss) attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share | (6,396)                         | (1,044)                         | 3,932                           | (22,826)                        |

|  | Five months ended<br>30 June |                     | Eleven months ended<br>30 June |                     |
|--|------------------------------|---------------------|--------------------------------|---------------------|
|  | 2017<br>(Unaudited)          | 2016<br>(Unaudited) | 2017<br>(Unaudited)            | 2016<br>(Unaudited) |
| <b>Number of shares</b>  |                              |                     |                                |                     |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share | 3,595,373,330                | 3,167,374,509       | 3,510,798,713                  | 3,167,374,509       |

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share for the eleven months ended 30 June 2017 and 2016 is the same as the basic earnings/(loss) per share as there are no instruments with potential dilutive shares issued by the Group during the eleven months ended 30 June 2017 and 2016.

The weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share for the eleven months ended 30 June 2017 and 2016 are after the adjustment of the bonus elements in the shares issued under the placing of shares completed on 6 October 2016, as set out in note 17.

## 10. INVESTMENT PROPERTIES

|   | <b>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|---|--|--|
| <b>Fair value:</b>  |  |  |
| Completed investment properties, in the PRC               | <b>93,128</b>  | 91,462                                   |
| Investment properties under construction, in the PRC      | <b>156,458</b>                                       | 81,884                                   |
|   | <b>249,586</b>                                       | 173,346                                  |
|   |  | <b>Total<br/>HK\$'000</b>                |
| <b>Fair value:</b>  |  |  |
| At 1 August 2015 (Audited)                                |  | 178,470                                  |
| Fair value losses for the year ended 31 July 2016         |  | (5,124)                                  |
|   |  | 173,346                                  |
| At 31 July 2016 (Audited) and 1 August 2016               |  | 173,346                                  |
| Fair value gains for the eleven months ended 30 June 2017 |  | 76,240                                   |
|   |  | <b>249,586</b>                           |
|   |  | <b>At 30 June 2017 (Unaudited)</b>       |

The fair value of the Group's investment properties as at 30 June 2017 and 31 July 2016 were determined by directors with reference to the valuation report prepared by Greater China Appraisal Limited, an independent qualified professional valuer, on an open market, existing use basis.

The fair values of investment properties were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable.

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                | <b>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|--------------------------------|--|--|
| Investment fund, at fair value | <b>101,096</b>                                       | –  |

The Group subscribed for limited partnership interest in an investment fund, namely Wealth Creation Special Opportunities Fund LP, with capital contribution of HK\$100,000,000 during the interim period. The investment fund has a term of 3 years, which may be extended for 2 years in the sole discretion of the general partner. As at 30 June 2017, the major investment of the investment fund is a commercial paper. The fair value of the Group's interest in investment fund as at 30 June 2017 is determined by the directors with reference to the net asset value of the investment fund attributable to the Group.

## 12. LOAN AND OTHER RECEIVABLES

|  | <b>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Loan to borrowers, neither past due nor impaired | <b>87,300</b>  | 50,000                                   |
| Other receivables                                | <b>460</b>   | 101                                      |
|  | <b>87,760</b>  | 50,101                                   |

As at 30 June 2017, two loans of HK\$15,000,000 each are secured by certain equity securities listed in Hong Kong, bear interest at 10% per annum and have a term of 1 year from the drawdown date on 18 May 2017 and 13 June 2017 respectively.

As at 30 June 2017, a loan of HK\$15,000,000 is guaranteed by the beneficial owner of the borrower, bears interest at 11% per annum and has a term of 1 year from the drawdown date on 19 June 2017.

As at 30 June 2017, a loan of HK\$15,000,000 is guaranteed by the beneficial owner of the borrower, bears interest at 12% per annum and has a term of 6 months from the drawdown date on 19 June 2017.

As at 30 June 2017, a loan of HK\$27,300,000 was unsecured, bears interest at 10% per annum and has a term of 45 days from the drawdown date on 22 June 2017. Subsequent to the end of reporting period, the loan of HK\$27,300,000 was settled in full.

The loan of HK\$50,000,000 which was outstanding as at 31 July 2016 was settled in full on 7 October 2016.

### 13. DEPOSITS AND PREPAYMENTS

|                          | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|--------------------------|--|--|
| Deposits and prepayments | 1,947                                      | 6,001                                    |

During the interim period, the conditions precedent of and obligations of the parties under the settlement deeds entered into by the Group and the liquidators of Wing Fai Construction Company Limited and Wai Shun Construction Company Limited (the "Liquidators") were fully satisfied. The Group received HK\$5,319,000 in respect of the refund of deposits for legal claim. The legal proceedings between the Group and the Liquidators were settled.

### 14. INVESTMENTS HELD FOR TRADING

|   | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Equity securities listed in Hong Kong at fair value | 15,649                                     | 27,002                                   |

The fair value of all equity securities is based on their bid prices in an active market at the end of reporting period.

### 15. TRADE AND OTHER PAYABLES

At 30 June 2017, included in the Group's trade and other payables of approximately HK\$31,110,000 (31 July 2016: HK\$30,391,000) were trade payables of approximately HK\$28,908,000 (31 July 2016: HK\$29,352,000) representing certain outstanding construction fees in dispute (please refer to notes 21 and 26 of the financial statements for the year ended 31 July 2016 for details).

The aging analysis of trade payables, based on invoice date, is as follows:

|               | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|---------------|--|--|
| Over 365 days | 28,908                                     | 29,352                                   |

### 16. LOAN FROM A SHAREHOLDER

|                             | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|-----------------------------|--|--|
| Linshan Limited ("Linshan") | 49,598                                     | 49,598                                   |



The loan from Linshan is unsecured, bears interest rate of 1% per annum. The Group is in dispute with Linshan on the interest and loan repayment. The loan was repayable on 31 December 2014, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon. No further action has been taken by Linshan since then. For the background and details of the dispute with Linshan, please refer to note 27 to the financial statements for the year ended 31 July 2016.

## 17. SHARE CAPITAL

|  | Number of<br>shares | Amount<br>HK\$'000 |
|--|---------------------|--------------------|
| <b>Authorised:</b>   |                     |                    |
| <b>Ordinary shares</b>   |                     |                    |
| At 31 July 2016 (Audited), 1 August 2016 and<br>30 June 2017 (Unaudited), of HK\$0.01 each | 150,000,000,000     | 1,500,000          |
| <b>Convertible Preference Shares</b>   |                     |                    |
| At 31 July 2016 (Audited), 1 August 2016 and<br>30 June 2017 (Unaudited), of HK\$0.01 each | 100,000,000,000     | 1,000,000          |
| <b>Issued and fully paid:</b>  |                     |                    |
| <b>Ordinary shares</b>   |                     |                    |
| At 31 July 2016 (Audited) and 1 August 2016 of<br>HK\$0.01 each                            | 2,996,173,330       | 29,962             |
| Placing of ordinary shares (Note i)  | 599,200,000         | 5,992              |
| At 30 June 2017 (Unaudited), of HK\$0.01 each  | 3,595,373,330       | 35,954             |

Note:

- (i) On 6 October 2016, placing of 599,200,000 new shares (i.e. 16.67% of the enlarged shareholding) at HK\$0.25 per share to six placees through a placing agent was completed. The closing market price of the immediately preceding business day is HK\$0.37 per share, implying there was a 32.43% discount of the placing price to the market price. The net proceeds from the placing, after deducting the placing commission and other expenses in connection with the placing from the gross proceeds, are approximately HK\$145,905,000. The six placees are independent third parties of the Group. The proceeds are intended to be utilised for the money lending business and financial services business of the Group.

The related share issue expense of HK\$3,895,000 for the share placement has been charged directly against the Company's share premium.

## 18. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 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 market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment held for trading of HK\$15,649,000 as at 30 June 2017 (31 July 2016: HK\$27,002,000) represents equity securities listed in Hong Kong held for trading and they are Level 1 financial instruments.

Available-for-sale financial assets of HK\$101,096,000 as at 30 June 2017 (31 July 2016: nil) represents interests subscribed in an investment fund and they are Level 3 financial instruments.

There were no transfers between Level 1 and 2 during the period.

Movements of Level 3 financial instruments during the period are as follows:

|  | Eleven months ended<br>30 June  |                                 |
|--|---------------------------------|---------------------------------|
|  | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| At beginning of period                                   | –                               | –                               |
| Purchase   | 100,000                         | –                               |
| Fair value gain recognised in other comprehensive income | 1,096                           | –                               |
| At end of period   | 101,096                         | –                               |

There were no transfers into or out of Level 3 of the fair value hierarchy during the period.

Fair value gain included in other comprehensive income related to available-for-sale financial assets and are reported as changes in “fair value reserve”.

The amount of gains or losses for the period included in profit or loss that are attributable to the change in unrealized gains or losses relating to those Level 3 financial instruments held at the end of reporting period is nil (2016: nil).

## 19. CONTINGENT LIABILITIES

A PRC Court (廣東省佛山市順德區人民法院) ruled in December 2013 that a wholly-owned PRC subsidiary of the Group (Shunde China Rich Properties Limited) was jointly liable with its former PRC contractor to pay RMB3,198,013 (equivalent to approximately HK\$3,679,000 as at 30 June 2017) and RMB3,961,291 (equivalent to approximately HK\$4,557,000 as at 30 June 2017) to 余盛 and 張明贊 respectively in respect of certain long outstanding construction fees. The Group appealed this decision. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the former PRC contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal and the court hearing was held in December 2016, but the result of the further appeal is still outstanding at 30 June 2017. No provision for these amounts has been made as the Directors consider they are fully covered by the provision for amounts due to its former PRC contractor of HK\$28,908,000 (31 July 2016: HK\$29,352,000) included under trade and other payables as at 30 June 2017.

## 20. PLEDGE OF ASSETS

At 30 June 2017 and at 31 July 2016, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

## 21. COMMITMENTS

### Operating lease commitment

The Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which will fall due as follows:

|  | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Operating leases which expire:           |  |  |
| — Within one year                        | 3,842                                      | 912                                      |
| — In the second to fifth years inclusive | 6,365                                      | 872                                      |
|  | 10,207                                     | 1,784                                    |

The Group leases a number of rented premises under operating leases. Leases were negotiated for terms ranging from one to five years with fixed rentals over the terms of the leases. None of the leases include contingent rentals.

The Group had no other significant commitment as at 30 June 2017 and 31 July 2016.

## 22. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 26 July 2017, Grand Plus Investment Limited ("Grand Plus"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Partners Tian Wei Fund (the "Investment Fund"), pursuant to which Grand Plus has applied to subscribe for redeemable non-voting participating shares in the share capital of the Investment Fund at the amount of HK\$140,000,000. The Investment Fund is managed by a fund manager with the objective of generating long term capital appreciation for its shareholder, details of which was set out in the announcement of the Company dated 26 July 2017.

## 23. APPROVAL OF SECOND INTERIM FINANCIAL REPORT

The second interim financial statements were approved and authorised for issue by the Board of Directors on 25 August 2017.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the eleven months ended 30 June 2017 (2016: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE RESULTS

For the eleven months period ended 30 June 2017 (the “**Period**”), the Group recorded revenue from operations of approximately HK\$5.5 million, representing a decrease of 39% as compared to the corresponding period in 2016. The Group’s profit for the Period attributable to owners of the Company was approximately HK\$3.9 million (2016: a loss of HK\$22.8 million). The total comprehensive income of the Group for the Period was approximately HK\$4.9 million (2016: a loss of HK\$23.3 million), which was mainly due to an increase in fair value of investment property. The basic earnings per share for the Period was 0.11 HK cent (2016: basic loss per share of 0.72 HK cent).

## BUSINESS REVIEW

During the Period, the Group launched new business activity of fund investment. The Group’s major business activities now include financial services, property investment and fund investment.

### Financial Services

Revenue in this segment was approximately for HK\$2,144,000 (2016: HK\$4,970,000) during the Period. It was made from the money-lending business through the provision of corporate loans and personal loans to the borrowers who have been carefully evaluated by the Group on their repayment capabilities and securities provided.

### Property Development

Revenue in this segment was derived from property development and leasing of properties. During the Period, the Group recorded the rental, management and related fee income of approximately HK\$3,323,000 (2016: HK\$3,943,000). The fair value of investment properties increased by approximately HK\$76,240,000 (2016: loss of HK\$5,124,000). It was mainly due to a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC. The Group engaged an external valuer to perform the valuation on the properties in the Period. The increase in fair value of investment properties were arrived at by reference to market evidence of recent residential sale and retail rental comparable and land sale transactions, of which 4 pieces of lands were traded at a higher price level in the similar location in Shunde.

## Fund Investment

On 18 May 2017, the Group and China Tian Yuan Finance Capital General Partner (I) Limited, an exempted company incorporated in the Cayman Islands with limited liability, entered into a subscription agreement pursuant to which the Group has applied to subscribe for the interest in Wealth Creation Special Opportunities Fund LP, an exempted limited partnership registered under the Exempted Limited Partnership Law (as amended) of the Cayman Islands (the “Fund”) with a committed capital contribution of HK\$100 million in accordance with the limited partnership agreement (the “Fund Subscription”). As at 30 June 2017, the Group has made all the payment for the Fund Subscription.

Further details in relation to the Fund Subscription were set out in the Company’s announcement dated 18 May 2017.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

### Gearing ratio and current ratio

The gearing ratio and current ratio at 30 June 2017 and 31 July 2016 were as follows:

|               | 30 June<br>2017<br>(Unaudited)<br>HK\$'000 | 31 July<br>2016<br>(Audited)<br>HK\$'000 |
|---------------|--|--|
| Debt          | 49,598                                     | 49,598                                   |
| Total equity  | 442,320                                    | 291,503                                  |
| Gearing ratio | 11.21%                                     | 17.01%                                   |
| Current ratio | 2.81                                       | 2.69                                     |

## FUND RAISING ACTIVITY

### Open Offer

On 24 October 2014, the Company and Kingston Securities Limited entered into an underwriting agreement in relation to the issue of shares by way of an open offer of 1,498,086,665 offer shares at the subscription price of HK\$0.10 per offer share on the basis of one offer share for every one share held by the qualifying shareholders of the Company (the “Shareholders”) on the record date (the “Open Offer”). The Open Offer was completed on 3 February 2015. The Group intended to apply the net proceeds from the Open Offer as to (a) approximately HK\$55 million for the money lending business that the Group is tapping into; (b) approximately HK\$75 million for any potential business opportunities in the property development and/or property investment business and/or financial services business (if not utilised, for the money lending business to be developed by the Group); (c) approximately HK\$16 million as working capital of the Group.

The actual use of the net proceeds from the Open Offer up to 30 June 2017 has been utilised in the following manner: (a) used for money lending business; (b) used for money lending business; and (c) used as intended.

## **Placing of new shares under general mandate**

Pursuant to a placing agreement dated 19 September 2016 entered into between the Company and Kingston Securities Limited (the “**Placing Agent**”), the Placing Agent agreed to place up to 599,200,000 new shares at placing price HK\$0.25 per share to not less than six placees, who are professionals, institutional and/or other investor(s) who are third parties independent of and are not connected with the Company and its connected persons. The aforesaid placing was completed on 6 October 2016 and the net proceeds from the placing amounted to approximately HK\$145,905,000 (the “**Placing**”).

The proceeds were intended to be utilised for the money-lending business and financial services business of the Group. Details of the Placing are set out in the Company’s announcements dated 19 September 2016 and 6 October 2016. During the Period, the Company has been identifying the opportunities for financial services business. The Company reserved about HK\$45 million for the development of money-lending business and the financial services business.

On 18 May 2017, the Board identified a financial investment opportunity and used about HK\$100 million in the Fund Subscription. The Board believed the Fund Subscription would enable the Group to capture more investment opportunities and further diversify the Group’s investment portfolio. The Fund Subscription was also in alignment with the Group’s expansion plan on carrying out financial investments by investing in high yield equity and debt products to maximise the long-term investment return of the Group. The Directors considered that such change in the use of the unutilised proceeds was a more efficient and effective deployment of the Group’s financial resources were in the best interests of the Group and the Shareholders as a whole.

## **FUTURE PLANS**

Looking forward, the Group will continue to focus on the development of loan financing operation, licensed business, fund investment and property investment business. The Group will evaluate its business from time to time for the macro and micro economic environment as well as the prospects of the property sector to formulate appropriate investment/exit strategies for the benefit of the Company and the Shareholders as a whole.

### **Financial Services**

#### **Loan financing operation**

In the current economic environment and outlook, the Group will take a cautious approach in growing its loan book and in its assessment of the quality of any collateral that may be available from potential borrowers.



## Licensed Business

Subsequent to the completion of the acquisition of a licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, the Group is formulating its business model and strategies of the licensed corporation as well as establishing a full service Hong Kong securities firm registered under the Securities and Futures Ordinance (the "SFO") for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities to facilitate securities trading and investments to the extent permitted under Hong Kong law. Revenue is expected to be generated in the form of, among others, trading commissions, brokerage and margin financing fees, financial advisory fees, placing or underwriting commission/arrangement fees, fund management fees and derived from investment and trading in securities.

## Fund Investment

The Group will continue to seize opportunity in fund investment in order to utilize the Group's financial resources more efficiently and effectively. Revenue in this segment will mainly be derived from dividends from the investment fund periodically. The Directors will carefully consider the investment objective of the investment fund, the experience and skills and the track record performance of the management team of the investment fund and the general partner, and the reasonable management fee charged by the general partner under the subscription agreement for investments in the investment fund.

## Property Development

As at 30 June 2017, the Group owned three property interests in Shunde, Guangdong Province, the PRC, including (i) 35 residential units with a total gross floor area of approximately 3,955 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) property comprising 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323 sq.m. The Group will continue to explore opportunity in property development in order to diversify its investment properties portfolio, strengthen the income base of the Group and provide capital appreciation potential to the Group.

## FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars and Renminbi. For the eleven months ended 30 June 2017, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

## SIGNIFICANT INVESTMENTS

During the eleven months ended 30 June 2017, the Group did not have any significant investments other than those disclosed in Note 11 to the Interim Financial Statements (2016: Nil).

## MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the eleven months ended 30 June 2017, there were no material acquisitions or disposal of subsidiaries and associated companies (2016: Nil).

## **PLEDGE OF ASSETS**

At 30 June 2017, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group (31 July 2016: Nil).

## **CONTINGENT LIABILITIES**

Details of contingent liabilities are set out in Note 19 to the Interim Financial Statements.

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 June 2017 (31 July 2016: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2017, the Group had 21 employees in Hong Kong and China (31 July 2016: about 35) and the total staff costs amounted to HK\$10.7 million (2016: HK\$6.1 million). Remuneration packages of the employees include monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

### SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 28 July 2010 with scheme limit refreshed on 25 May 2016. The primary purpose of the Scheme is providing incentive to the eligible employees and Directors. Under the terms of the Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the Scheme including the directors and employees of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options 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, which is 35,953,733 shares as at 30 June 2017 without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's issued shares and with a value in excess of HK\$5,000,000 must be approved in advance by the Shareholders. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The Scheme shall be valid and effective for a period of ten (10) years commencing from its date of adoption on 28 July 2010 and expiring on 27 July 2020.

There were no options outstanding at 30 June 2017 and no share options were granted, exercised, cancelled or lapsed during the Period.

## INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 30 June 2017 the following Shareholders (other than the Directors and chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of Part XV of the SFO:

### Long positions in shares of the Company

| Name of Shareholder               | Capacity                            | Number of shares held | Percentage of the issued shares in the Company |
|-----------------------------------|-------------------------------------|-----------------------|--|
| China Gem Financial Group Limited | Beneficial owner                    | 1,025,251,080         | 28.52%   |
| China Gem Group Limited (Note a)  | Interests in controlled corporation | 1,025,251,080         | 28.52%   |
| Zhong Ling (Note b)               | Interests in controlled corporation | 1,025,251,080         | 28.52%   |
| Hua Tai Investment Co. Ltd.       | Beneficial owner                    | 486,660,000           | 13.54%   |
| Zhu Jinlong (Note c)              | Interests in controlled corporation | 486,660,000           | 13.54%   |

Notes:

- (a) China Gem Group Limited was deemed to be interested in the 1,025,251,080 shares as it directly held 100% of the issued shares of China Gem Financial Group Limited.
- (b) Mr. Zhong Ling was deemed to be interested in the 1,025,251,080 shares as he indirectly held 100% of the issued shares of China Gem Financial Group Limited.
- (c) Mr. Zhu Jinlong was deemed to be interested in the 486,660,000 shares as he directly held 80% of the issued shares of Hua Tai Investment Co. Ltd.

Save as disclosed above, the Company has not been notified of any persons other than the substantial Shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2017.

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the Shareholders on 7 July 2017 and with the approval of the Registrar of Companies in Bermuda on 14 July 2017 and the Registrar of Companies in Hong Kong on 25 August 2017, the English name of Company was changed from “Yueshou Environmental Holdings Limited” to “China Gem Holdings Limited” and “中國中石控股有限公司” has been adopted as the secondary name of the Company to replace “粵首環保控股有限公司”. The shares on the Stock Exchange has been traded under the new name. The English and Chinese stock short names of the Company has been changed from “YUESHOU ENV” to “CHINA GEM HLDGS” and from “粵首環保” to “中國中石控股” respectively on 7 September 2017. Details of the change of Company name were set out in the announcements of the Company dated 2 June 2017 and 1 September 2017 and the circular of the Company dated 9 June 2017.

## CORPORATE GOVERNANCE

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our Shareholders. The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the eleven months ended 30 June 2017, except for the following deviations:

### Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separated and should not be performed by the same person. The Company’s chief executive was vacant until 9 February 2017 which the role has been filled up by Mr. Cui Lei.

### Code Provision A.6.7

Code Provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders.

Mr. Wu Shiming, an independent non-executive Director, was unable to attend the annual general meeting of the Company which was held on 19 December 2016 due to his other business engagement.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Save as the Placing detailed in the section of Fund Raising Activity, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the eleven months ended 30 June 2017.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the eleven months ended 30 June 2017.

## UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of the Directors since the last published 2016–2017 first interim report of the Company and up to date of this report are set out below:

- (a) Mr. Liu Jieshan has been appointed as the chairman of the nomination committee of the Company (the “**Nomination Committee**”) with effect from 8 May 2017 and director of China Gem Financial Group Limited (a substantial Shareholder) and China Gem Group Limited since May 2017.
- (b) Mr. Cui Lei has been appointed as director of certain subsidiaries of the Company, and director of China Gem Financial Group Limited (a substantial Shareholder) and China Gem Group Limited since May 2017.
- (c) Mr. Yang Huaijun has been appointed as an executive Director and the vice chief executive of the Company with effect from 8 May 2017 and director of two subsidiaries of the Company since May 2017.
- (d) Mr. Han Litie has been appointed as an executive Director and the chief financial officer of the Company with effect from 8 May 2017 and director of two subsidiaries of the Company since May 2017.
- (e) Mr. Su Xihe and Mr. Wong Wai Chun Alex have been appointed as independent non-executive Directors and members of the Audit Committee, the remuneration committee of the Company (the “**Remuneration Committee**”) and the Nomination Committee with effect from 8 May 2017.
- (f) Ms. Kwan Shan has resigned as an executive Director, the company secretary and authorised representative of the Company with effect from 8 May 2017.
- (g) Mr. Lin Chaofan has resigned as an independent non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee with effect from 8 May 2017.
- (h) Ms. Deng Chunmei has resigned as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 8 May 2017.



## **AUDIT COMMITTEE**

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Su Xihe, Mr. Wong Wai Chun Alex and Mr. Wu Shiming who is the chairman of this committee.

The unaudited interim financial statements of the Group for the eleven months ended 30 June 2017 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was set up with the responsibility for providing recommendations to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Su Xihe, Mr. Wong Wai Chun Alex and Mr. Wu Shiming who is the chairman of this committee. The Remuneration Committee has specific written terms of reference which follow closely with the requirement of the CG code.

The Remuneration Committee is authorised to investigate any matter within its terms of reference and seeks any information it requires from any employee or Director of the Company and obtains outside legal or other independent professional advice at the cost of the Company if it considers necessary.

## **NOMINATION COMMITTEE**

The Nomination Committee was set up with the responsibility for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the skills, knowledge and experience) to complement the Company's corporate strategies. The Nomination Committee comprises three independent non-executive Directors, namely Mr. Wu Shiming, Mr. Su Xihe, Mr. Wong Wai Chun Alex and one executive Director, Mr. Liu Jieshan who is the chairman of this committee.

## **APPRECIATION**

I would like to thank our fellow Directors for their contribution and support throughout the period, and our management and employees for their dedication and hard work.

I would also like to express our sincere appreciation to our Shareholders, customers, bankers and suppliers for their continuing support.

By order of the Board  
**China Gem Holdings Limited**  
**Liu Jieshan**  
*Chairman*

Hong Kong, 25 August 2017