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China Gem Holdings Limited

中國中石控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE SEVENTEEN MONTHS ENDED 31 DECEMBER 2017

Reference is made to the annual report of China Gem Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for the seventeen months ended 31 December 2017 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined in the Annual Report.

Further to the information disclosed in the section headed “Management Discussion and Analysis” in the Annual Report, the Board wishes to provide shareholders and potential investors of the Company with the following supplementary information.

STRATEGIC FINANCIAL INVESTMENT

Our objective is to deliver long-term capital growth to our shareholders by leveraging a diverse yet complementary portfolio of businesses, investments and multiple asset classes. In relation to the strategic financial investment segment, we work with external partners and investment funds, which are selected based on their medium-to-long-term track record, strategic fit and access to co-investment opportunities.

To make the best out of the capital of the Group and to maximize return for its shareholders and investors, the Group subscribed to investment funds operated and managed by external professional investment managers so as to utilize the expertise of fund managers in financial investments, fund management, sourcing projects, sourcing clients etc. to maximize return for the Group. The underlying assets of the investment funds include high yield private bonds, private equity, convertible securities, debt derivatives etc. and are involved in industry sectors such as property development, shipping, technology, with investment term of two years or more.

The total subscribed amount of investment the Group made to five investments funds was not over HK\$646.65 million. Details of the five investments funds are as follows:

Date of announcement	Name of fund	General partner/ manager	Investment (HK\$'M)	Management fee	Term of investment
18/5/2017	Wealth Creation Special Opportunities Fund LP	OBOR Fund Management Limited	100	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)
26/7/2017	Partners Tian Wei Fund	Partners Investment Management Limited	140	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)
7/11/2017	Bison Target Investment SPC — BOCI Fixed Income Focused Growth SP	BTS Investment Limited	US\$17.5M (equivalent to HK\$136.5M)	0.5% per annum of the aggregated commitment	3 years (may extend for another 2 years)
8/11/2017 27/12/2017	Forward Fund SPC	Full House Asset Management Company Limited	130.15	0.3% per annum of the aggregated commitment	2 years
24/11/2017	NanTai Investment LP	NanTai Investment Limited	140	0.5% per annum of the aggregated commitment	2 years (may extend for another 1 years)
		Total	<u>646.65</u>		

The table below sets forth the movement of underlying investments of the five investments funds during the Reporting Period.

	Amount (in millions of HK\$)
Subscription of convertible bond	129.0
Subscription of debt securities	513.5
Change in fair value	<u>21.5</u>
Total	<u><u>664.0</u></u>

The table below sets forth the breakdown of fair value of underlying investments of the five investment funds, by investment type, as at the dates indicated.

	As at 31 December 2017	
	Amount	Percentage
	<i>(in millions of HK\$)</i>	
Debt securities	517.0	77.9%
Convertible bond	<u>147.0</u>	<u>22.1%</u>
Total	<u><u>664.0</u></u>	<u><u>100%</u></u>

During the seventeen months ended 31 December 2017, the revenue on funds amounted to approximately HK\$15.5 million and a fair value gain on financial assets through profit and loss amounted to approximately HK\$21.5 million, the total annualized return rate on the investment was nearly 25%. It showed that the strategic financial investment could bring a stable source of income to the Group and the yield was also relatively attractive.

While further developing the strategic financial investment business steadily, the Group will be leveraging on the expertise of fund managers of the investment funds to maximize utilization of the financial resources of the Group and at the same time, diversify investment risks.

The abovementioned supplemental information does not affect any other information contained in the Annual Report, and save as disclosed above, all other information in the Annual Report remain unchanged.

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

Hong Kong, 15 June 2018

As at the date of this announcement, the Board comprises Mr. Liu Jieshan, Mr. Cui Lei, Mr. Yang Huaijun and Mr. Han Litie as executive Directors and Mr. Su Xihe, Mr. Wong Wai Chun Alex and Mr. He Yaode as independent non-executive Directors.