



# China Gem Holdings Limited

## 中國中石控股有限公司

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

INTERIM REPORT

2018



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Liu Jieshan, *Chairman*  
Mr. Cui Lei, *Chief Executive*  
Mr. Yang Huaijun, *Vice Chief Executive*  
Mr. Han Litie, *Chief Financial Officer*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Su Xihe  
Mr. Wong Wai Chun Alex  
Mr. He Yaode (appointed on 30 May 2018)  
Mr. Wu Shiming (resigned on 30 May 2018)

## BOARD COMMITTEES

### Audit Committee

Mr. Wong Wai Chun Alex (*Chairman*)  
Mr. Su Xihe  
Mr. He Yaode

### Remuneration Committee

Mr. Su Xihe (*Chairman*)  
Mr. Wong Wai Chun Alex  
Mr. He Yaode

### Nomination Committee

Mr. Liu Jieshan (*Chairman*)  
Mr. Su Xihe  
Mr. Wong Wai Chun Alex  
Mr. He Yaode

### Executive Committee

Mr. Cui Lei (*Chairman*)  
Mr. Liu Jieshan  
Mr. Yang Huaijun  
Mr. Han Litie

## COMPANY SECRETARY

Mr. Liu Wai Kin

## AUTHORISED REPRESENTATIVES

Mr. Cui Lei  
Mr. Liu Wai Kin

## AUDITOR

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

## PRINCIPAL BANKERS

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

## LEGAL ADVISER

*On Bermuda Law*  
Conyers Dill & Pearman  
29th Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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 (the “Company”, together with its subsidiaries, the “Group”) announces the unaudited condensed consolidated results of the Company for the six months ended 30 June 2018 together with comparative figures as follows. These 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 six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) HK\$'000	Five months ended 30 June 2017 (Unaudited) HK\$'000
Revenue	3	50,180	2,188
Other expense		(346)	(299)
Administrative expenses		(21,828)	(15,784)
Other operating expenses		(617)	(813)
Fair value gains on investment properties		—	40,834
Fair value losses on financial assets at fair value through profit or loss		(4,163)	(12,273)
Finance costs	4	(27,784)	(211)
(Loss)/Profit before income tax	5	(4,558)	13,642
Income tax expense	6	—	(20,038)
<b>Loss for the period</b>		<b>(4,558)</b>	<b>(6,396)</b>
<b>Loss for the period attributable to</b>			
Owners of the Company		(4,558)	(6,396)
Non-controlling interest		—	—
		<b>(4,558)</b>	<b>(6,396)</b>

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) HK\$'000	Five months ended 30 June 2017 (Unaudited) 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		231	104
Fair value gain on available-for-sale financial assets		—	1,096
		<b>231</b>	<b>1,200</b>
Total comprehensive income for the period		<b>(4,327)</b>	<b>(5,196)</b>
Total comprehensive income attributable to Owners of the Company		<b>(4,327)</b>	<b>(5,196)</b>
Non-controlling interest		—	—
		<b>(4,327)</b>	<b>(5,196)</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per shares</b>			
• Basic and diluted	7	<b>(0.12)</b>	<b>(0.18)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		3,073	2,848
Investment properties	8	211,446	156,295
Intangible assets		1,284	2,029
Financial assets at fair value through profit or loss		142,811	146,957
Rental deposits		668	668
<b>Total non-current assets</b>		<b>359,282</b>	308,797
<b>Current assets</b>			
Properties held for sale		7,240	7,240
Properties under development		31,431	31,431
Financial assets at fair value through profit or loss		517,044	517,061
Loan receivables	9	275,411	85,000
Trade and other receivables	10	127,603	98,897
Deposits and prepayments		3,647	4,413
Cash and cash equivalents		24,858	171,081
<b>Total current assets</b>		<b>987,234</b>	915,123
<b>Current liabilities</b>			
Trade and other payables	11	93,195	81,888
Accruals		34,788	22,038
Loans from shareholders	12	49,598	49,598
Other borrowings		76,266	38,355
Senior notes		14,400	14,400
<b>Total current liabilities</b>		<b>268,247</b>	206,279
<b>Net current assets</b>		<b>718,987</b>	708,844
<b>Total assets less current liabilities</b>		<b>1,078,269</b>	1,017,641

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2018

Notes	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
<b>Non-current liabilities</b>		
	<b>351,600</b>	351,600
Other borrowings		
	<b>163,589</b>	162,929
Senior notes		
	<b>19,213</b>	19,213
Deferred tax liabilities		
<b>Total non-current liabilities</b>	<b>534,402</b>	533,742
<b>NET ASSETS</b>	<b>543,867</b>	483,899
<b>Capital and reserves</b>		
Share capital	<b>41,354</b>	35,954
Reserves	<b>497,620</b>	443,052
<b>Equity attributable to owners of the Company</b>	<b>538,974</b>	479,006
<b>Non-controlling interests</b>	<b>4,893</b>	4,893
<b>TOTAL EQUITY</b>	<b>543,867</b>	483,899



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 (Unaudited)

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Contributable surplus HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2018	35,954	1,829,665	11,613	6,541	77,033	1,080,948	(2,562,748)	479,006	4,893	483,899
<b>Transactions with owners</b>										
Issue of shares upon placing (note 13)	5,400	58,895	—	—	—	—	—	64,295	—	64,295
Loss for the period	—	—	—	—	—	—	(4,558)	(4,558)	—	(4,558)
Exchange differences on translating foreign operations	—	—	—	231	—	—	—	231	—	231
Total comprehensive income for the period	—	—	—	231	—	—	(4,558)	(4,327)	—	(4,327)
As at 30 June 2018	41,354	1,888,560	11,613	6,772	77,033	1,080,948	(2,567,306)	538,974	4,893	543,867

For the five months ended 30 June 2017 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Contributable surplus HK\$'000	Fair value reserve HK\$'000	Accumulated losses Total HK\$'000	Total HK\$'000
As at 1 February 2017	35,954	1,829,665	11,613	6,188	77,033	1,080,948	—	(2,593,885)	447,516
Loss for the period	—	—	—	—	—	—	—	(6,396)	(6,396)
Exchange differences on translating foreign operations	—	—	—	104	—	—	—	—	104
Fair value gain on available-for-sale financial assets	—	—	—	—	—	—	1,096	—	1,096
Total comprehensive income for the period	—	—	—	104	—	—	1,096	(6,396)	(5,196)
As 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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	<b>Six months ended 30 June 2018 (Unaudited) HK\$'000</b>	Five months ended 30 June 2017 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(248,519)</b>	(64,461)
Net cash used in investing activities	<b>(141)</b>	(101,112)
Net cash generated from financing activities	<b>102,206</b>	–
Decrease in cash and cash equivalents	<b>(146,454)</b>	(165,573)
Cash and cash equivalents at the beginning of the period	<b>171,081</b>	258,827
Effect of foreign exchange rate changes	<b>231</b>	(336)
Cash and cash equivalents at the end of the period	<b>24,858</b>	92,918

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018 (Unaudited)

## 1. 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 seventeen months ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

During the seventeen months ended 31 December 2017, the financial year end date of the Group was changed from 31 July to 31 December. Accordingly, the condensed consolidated financial statements for the last financial period covered five months ended 30 June 2017. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and notes to condensed consolidated financial statements are not entirely comparable.

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 seventeen months ended 31 December 2017.

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.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 9	Financial Instrument
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Classifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property

### Amendments to HKAS 7 — Disclosure Initiative

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

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

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

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

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

## **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.

The directors of the Company reviewed and assessed the Group's financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no changes in classification and measurement on the Group's financial assets and financial liabilities as at 1 January 2018 upon the application of HKFRS 9.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

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

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

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

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

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

The application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group.

### **Amendments to HKAS 40, Investment Property — Transfers of Investment Property**

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

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

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

### **Future changes in HKFRSs**

The Group has not early adopted the following new/revised HKFRSs that have been issued but are not yet effective for the current accounting period. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 cycle <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

## **2. SEGMENT INFORMATION**

During the six months ended 30 June 2018, the Group had four (5 months ended 30 June 2017: three) reportable segments, (i) money lending, (ii) license and financial services business, (iii) strategic financial investment, and (iv) property development.

Details of the operating segments are as follows:

- (i) The money lending segment involves the money lending business in Hong Kong and the PRC.
- (ii) The license and financial service business involves the revenue generated from the licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, and consultancy and administrative service income of fund portfolio, corporate development strategy consulting, project management consulting etc.

- (iii) The strategic financial investment involves the investment in financial products managed by fund managers who have good management skills, reasonable management fee etc.
- (iv) The property development segment involves the development of property, the management and rental of units/shops within a shopping arcade and residential units, and the sales of residential units in the PRC.

**(a) Segment revenues and results**

An analysis of the Group's revenue and results by reportable segment for the six months and five months ended 30 June 2018 and 2017 are presented below:

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Reportable segment revenue</b>	12,512	664	962	—	34,597	—	2,109	1,524	50,180	2,188
<b>Results</b>										
Segment results	10,236	(1,479)	(598)	—	27,418	(1,542)	447	40,010	37,503	36,989
Unallocated corporate income									—	646
Unallocated corporate expenses									(14,277)	(23,782)
Finance cost									(27,784)	(211)
(Loss)/profit before income tax									(4,558)	13,642

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017	Six months ended 30 June 2018	Five months ended 30 June 2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Fair value gains on investment properties	—	—	—	—	—	—	—	40,834	—	40,834
Fair value losses on financial assets at fair value through profit or loss	—	—	—	—	(4,163)	—	—	—	(4,163)	(12,273)*

Segment profit/(loss) represents the profit earned/(loss incurred) by each segment without allocation of amortization of intangible assets, certain other revenue and other gain/(loss), central administrative expenses, finance costs and income tax expenses.

\*: unallocated for the five months ended 30 June 2017

## (b) Segment assets and liabilities

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
<b>Assets</b>										
Reportable segment asset	284,958	86,081	82,349	81,487	693,955	679,391	254,491	195,599	1,315,753	1,042,558
Unallocated assets									30,763	181,362
<b>Total assets</b>									1,346,516	1,223,920

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
<b>Liabilities</b>										
Reportable segment liabilities	(38,620)	(1,112)	—	(90)	(2,382)	(50,007)	(88,578)	(31,218)	(129,580)	(82,427)
Unallocated liabilities									(653,856)	(638,381)
Deferred tax liabilities									(19,213)	(19,213)
<b>Total liabilities</b>									(802,649)	(740,021)

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, certain other receivables, deposits and prepayments and cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain accruals and other payables, income tax payable, deferred taxation, notes payable and other borrowings.

## (c) Geographical information

The following tables provides an analysis of the Group's revenue from external customers and its non-current assets on the location of operations and geographical location of assets respectively.

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the five months ended 30 June 2017 (Unaudited) HK\$'000
Revenue from external customers		
— PRC	2,938	1,524
— Hong Kong	47,242	664
	50,180	2,188

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (audited) HK\$'000
Specific non-current assets		
— PRC	<b>211,909</b>	156,794
— Hong Kong	<b>147,373</b>	152,003
	<b>359,282</b>	308,797

### 3. REVENUE

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	For the five months ended 30 June 2017 (Unaudited) HK\$'000
Rental income	<b>1,082</b>	913
Building management fee income	<b>1,027</b>	611
Loan interest income	<b>12,512</b>	664
License and financial services income	<b>962</b>	—
Interest income from financial assets investment	<b>34,597</b>	—
	<b>50,180</b>	2,188

### 4. FINANCE COSTS

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	For the five months ended 30 June 2017 (Unaudited) HK\$'000
Interest on loans from shareholders	<b>256</b>	211
Interest on other borrowings	<b>19,727</b>	—
Imputed interest on senior notes	<b>7,801</b>	—
	<b>27,784</b>	211



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

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	<b>For the five months ended 30 June 2017 (Unaudited) HK\$'000</b>
(Loss)/profit before income tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	415	305
Operating lease charges in respect of land and buildings	2,866	824
Staff costs, including directors' remuneration		
• Retirement benefits scheme contributions	234	207
• Salaries and other benefits	10,523	6,257

## 6. INCOME TAX EXPENSE

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	<b>For the five months ended 30 June 2017 (Unaudited) HK\$'000</b>
Current tax	—	—
Deferred tax	—	20,038
	—	20,038

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2018 and five months ended 30 June 2017 as there were no assessable profit or had estimated tax losses brought forward to set off the estimated assessable profits during the period.

No provision for Enterprise Income Tax in the PRC as there were tax losses brought forward to set-off the estimated assessable profits during the six months ended 30 June 2018 and five months ended 30 June 2017.

## 7. LOSS PER SHARE

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	For the five months ended 30 June 2017 (Unaudited) HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(4,558)</b>	(6,396)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>3,759,820,318</b>	3,631,854,107

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

Diluted loss per share for the six months ended 30 June 2018 and five months ended 30 June 2017 is the same as the basic loss per share as there are no instruments with potential dilutive shares issued by the Group during the six months ended 30 June 2018 and the five months ended 30 June 2017.

The weighted average number of ordinary shares for the purposes of basic and diluted loss per share for the six months ended 30 June 2018 are after the adjustment of the bonus elements in the shares issued under the placing of shares completed on 15 May 2018.

## 8. INVESTMENT PROPERTIES

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
<b>Fair value:</b>		
Completed investment properties, in the PRC	<b>145,448</b>	90,297
Investment properties under construction, in the PRC	<b>65,998</b>	65,998
	<b>211,446</b>	156,295
		<b>Total (Unaudited) HK\$'000</b>
<b>Fair value:</b>		
At 1 January 2018		<b>156,295</b>
Acquisition of a subsidiary (note 14)		<b>55,151</b>
At 30 June 2018		<b>211,446</b>

The fair value of the Group's investment properties at 30 June 2018 and 31 December 2017 were determined by the Directors based on the highest and best use approach.

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.

As at 30 June 2018, included in investment properties with a fair value of approximately RMB46,545,000 (approximately HK\$55,151,000) for which the Group has not yet obtained the housing ownership certificates. All necessary preliminary procedures (including the property pre-sale registration) have been completed and the Group is in the process of applying the housing ownership certificates.

## 9. LOAN RECEIVABLES

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Loan receivables	<b>275,411</b>	85,000

Loan receivables that are denominated in foreign currencies are as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Unaudited) HK\$'000
Hong Kong dollars	<b>237,500</b>	85,000
Renminbi ("RMB")	<b>37,911</b>	—
	<b>275,411</b>	85,000

As at 30 June 2018, loan receivables are secured by collaterals or personal guarantee provided by customers, bear interest ranging from 10%–15% (At 31 December 2017: 10%–15%) per annum and are repayable with fixed terms agreed with the Group's customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

All loans receivables are matured within one year.

## 10. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Trade receivables arising from license and financial service business	<b>77,007</b>	79,456
Interest income receivable arising from financial assets investment	<b>32,987</b>	13,561
Other receivables	<b>17,609</b>	5,880
	<b>127,603</b>	98,897

An ageing analysis of trade receivables at the end of each reporting period, based on the invoice date, is as follows:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
0-90 days	—	79,456
Within 1 year	<b>77,007</b>	—
	<b>77,007</b>	79,456

All trade receivables are neither past due nor impaired at each of the end of reporting period.

The Group does not hold any collateral or other credit enhancements over the trade and other receivables.

As at 30 June 2018, included in other receivables were amount of HK\$4,900,000 (31 December 2017: HK\$4,900,000) and HK\$3,572,000 (31 December 2017: nil) which represents amount due from a non-controlling shareholder of a subsidiary of the Group and a related party respectively. Except for the amount due from a related party which is bearing interest at 10% per annum, the remaining amounts due are unsecured, interest-free and repayable on demand.

None of the above receivables is either past due nor impaired. The financial assets included in the other receivables for which there was no history of default.

All of the trade and other receivables are expected to be recovered within one year.

Trade and other receivables that are denominated in foreign currencies are as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Unaudited) HK\$'000
Hong Kong dollars	45,854	17,293
US dollars	120	2,044
RMB	81,629	79,560
	<b>127,603</b>	98,897

## 11. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Trade payables	29,768	30,150
Consideration payable related to acquisition of a subsidiary (note 14)	1,332	–
Other payables	62,095	51,738
	<b>93,195</b>	81,888

An ageing analysis of trade payables at the end of each reporting period, based on the invoice date, is as follows:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Over 365 days	29,768	30,150

At 30 June 2018, trade payables of approximately HK\$29,768,000 (31 December 2017: HK\$30,150,000), representing the outstanding construction fee in dispute (please refer to notes 21 and 27(a) of the consolidated financial statements for the seventeen months ended 31 December 2017).

As at 30 June 2018, included in other payables was an amount of HK\$1,560,000 (31 December 2017: Nil) and HK\$12,055,000 (31 December 2017: Nil) which represents amounts due to China Gem Financial Group Limited, the immediate holding company of the Company, and related companies respectively. The amounts are unsecured, interest-free and repayable on demand.

Trade and other payables that are denominated in foreign currencies are as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Unaudited) HK\$'000
Hong Kong dollars	<b>3,102</b>	50,670
RMB	<b>90,093</b>	31,218
	<b>93,195</b>	81,888

## 12. LOAN FROM SHAREHOLDERS

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Linshan Limited ("Linshan")	<b>49,598</b>	49,598

The loan from Linshan is unsecured, bears interest rate at 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 28 to the consolidated financial statements for the seventeen months ended 31 December 2017.

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
<b>Ordinary shares</b>		
At 1 August 2016 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited), of HK\$0.01 each	150,000,000,000	1,500,000
<b>Convertible Preference Shares</b>		
At 1 August 2016 (audited), 31 December 2017 (audited) and 30 June 2018 (unaudited), of HK\$0.01 each	100,000,000,000	1,000,000
<b>Issued and fully paid:</b>		
<b>Ordinary shares</b>		
At 1 January 2018 (unaudited)	3,595,373,330	35,954
Placing of ordinary shares (Note i)	540,000,000	5,400
At 30 June 2018 (unaudited)	4,135,373,330	41,354

Note:

- (i) On 15 May 2018, placing of 540,000,000 new shares (i.e. 13.06% of the enlarged shareholding) at HK\$0.12 per share to not less than six places through a placing agent was completed. 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\$64,295,000. The proceeds are intended to be utilised for the property development related business and general working capital.

#### 14. ACQUISITION OF A SUBSIDIARY

On 29 June 2018, the Group acquired 100% equity interest of 中石(深圳)投資諮詢有限公司("China Gem (Shenzhen) Investment Consulting Co., Ltd" or "CG Shenzhen") at a cash consideration of approximately RMB1,127,000 (equivalent to approximately HK\$1,332,000) from a fellow subsidiary of the Group. CG Shenzhen principally engaged in investment properties in PRC before they were acquired by the Group. The purpose of the acquisition was mainly for acquiring the PRC investment properties. Thus, the directors are of the view that the acquisition is treated as acquisition of investment properties in substance.

Details of the aggregate fair values of the identifiable assets and liabilities of CG Shenzhen as at the date of acquisition are as follows:

	(Unaudited) RMB'000	(Unaudited) HK\$'000
Bank balances	451	535
Other receivables	3,039	3,601
Investment properties	46,482	55,080
Properties, plant and equipment	12	14
Other payables	(48,920)	(57,969)
Net assets acquired	1,064	1,261
Consideration payable	1,127	1,332
Fair value gains on the investment properties	63	71
Cash inflow on acquisition of a subsidiary	451	535

## 15. 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).

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

Movements of Level 3 financial instruments during the six months ended 30 June 2018 are as follows:

	(Unaudited) HK\$'000
<b>At 1 January 2018</b>	664,018
Fair value loss	(4,163)
<b>At 30 June 2018</b>	659,855

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

## 16. 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 RMB3,198,000 (equivalent to approximately HK\$3,789,000 as at 30 June 2018) and RMB3,961,000 (equivalent to approximately HK\$4,693,000 as at 30 June 2018) 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. In August 2017, the Higher People's Court of Guangdong Province dismissed the appeal by the Contractor and maintained the original verdict of the PRC Court in December 2013. No provision for these amounts has been made as the Directors consider they are fully covered by the frozen bank accounts of the former PRC contractor which amounted to RMB11,038,000 (equivalent to HK\$13,077,000 as at 30 June 2018 (31 December 2017: HK\$13,245,000) by the People's Intermediate Court.

During the six months ended 30 June 2018, the PRC court concluded that the Group and its former PRC contractor was liable to pay the outstanding construction fees and such claims were paid by the former contractor to the plaintiffs. The legal proceedings between the Group and the plaintiffs were settled.



## 17. 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:

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Operating leases which expire:		
— Within one year	<b>5,106</b>	4,999
— In the second to fifth years inclusive	<b>4,583</b>	5,979
	<b>9,689</b>	10,978

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 2018 and 31 December 2017.

## 18. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidated and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the Period, the Group entered into the following transactions with related parties:

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	For the five months ended 30 June 2017 (Unaudited) HK\$'000
Interest expenses incurred on loans from shareholders	<b>(256)</b>	(211)
License service income (note)	<b>962</b>	—
Interest income from a related party	<b>2</b>	—

Note: The license service income was generated from the provision of administrative service provided to a fund in which a fellow subsidiary of the Group was the general partner of the fund. The transaction has been conducted on normal commercial terms.

**(b) Compensation of key management personnel**

The remuneration of Directors and other member of key management during the period were as follows:

	<b>For the six months ended 30 June 2018 (Unaudited) HK\$'000</b>	For the five months ended 30 June 2017 (Unaudited) HK\$'000
Salaries and other short-term benefits	<b>6,546</b>	4,058
Post-employment benefits	<b>54</b>	27
	<b>6,600</b>	4,085

**19. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial statements were approved and authorised for issue by the Board of Directors on 27 August 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. BUSINESS REVIEW

For the six months ended 30 June 2018 (the “Period”), the Group recorded revenue from operations of approximately HK\$50,180,000, representing an increase of nearly 22 times compared to the five months ended 30 June 2017 (the “Corresponding Period”). Finance costs was increased from HK\$211,000 in the Corresponding Period to HK\$27,784,000, was mainly due to interest on other borrowings (approximately HK\$19,727,000) and imputed interest on senior notes (approximately HK\$7,801,000), which were obtained in the second half of 2017. As a result, the loss for the Period attributable to owners of the Company was approximately HK\$4,558,000 (five months ended 30 June 2017: HK\$6,396,000), representing a decrease of 29%. The basis loss per share for the Period was HK\$0.12 cents (five months ended 30 June 2017: HK\$0.18 cents). Business review on each segment are as follows:

### (i) Money lending

Since the renewal of money lenders licence under the Money Lenders Ordinance in the second half of 2017, the Group has provided a wide range of loans with accumulated amount of approximately HK\$275 million as of 30 June 2018 (31 December 2017: HK\$85 million). Interest rates ranging from 10%–15% (31 December 2017: 10%–15%). The Group devoted more resources to expand the money lending sector during the Period. Customers are mainly from corporate who have been carefully evaluated by the Group on their repayment capabilities and securities pledged. As a result, revenue generated from this segment was approximately HK\$12,512,000 during the Period (5 months ended 30 June 2017: HK\$664,000), representing an increase of 17.8 times than the Corresponding Period.

### (ii) License and Financial Service Business

The Group commenced the financial services business in the second half of 2017 after introducing a number of experienced executives, the segment has a steady growth. During the Period, the Group provides discretionary investment management services to the funds domiciled in Cayman Island and managed accounts for institutional clients. The Group also provide administrative services to other investment managers of funds domiciled in Cayman Island. The license and financial business has generated revenue of approximately HK\$962,000 (five months ended 30 June 2017: nil), mainly from provision of administrative services to China Gem L.P., in which a fellow subsidiary of the Group was the general partner of the fund during the Period. Details please refer to the announcement dated 15 June 2018.

### (iii) Strategic financial investment

In order to increase the efficiency of the use of the funds of the Company and match the resources with the business, the Group seizes opportunities in fund investment, efficiently and fully utilizes the financial resources of the Group, utilizes the professional advantages, talent advantages and management advantages of the fund companies, and makes portfolio investments through the subscription of private equity funds to spread risks, aiming to earn a higher return on investment.

The investment targets include high yield private bonds, private equity investments, other convertible bonds, debt instruments, etc., the maturity of which are mostly more than two years.

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.

As of 30 June 2018, the total subscribed amount of investment the Group made to five investments funds was approximately to HK\$646.65 million. The Group did not further invest or early redeem any investment during the Period.

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

	<b>Amount</b> (in millions of HK\$)
Fair value at 1 January 2018	664.0
Change in fair value	(4.2)
Fair value at 30 June 2018	659.8

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

	<b>As at 30 June 2018</b>	
	<b>Amount</b>	<b>Percentage</b>
	<b>(in millions of HK\$)</b>	
Debt securities	<b>517.0</b>	<b>78.4%</b>
Convertible bond	<b>142.8</b>	<b>21.6%</b>
Total	<b>659.8</b>	<b>100.0%</b>

During the Period, the revenue generated from funds amounted to approximately HK\$34,597,000 (five months ended 30 June 2017: Nil) and a fair value loss on financial assets through profit and loss amounted to approximately HK\$4.2 million (5 months ended 30 June 2017: Nil).

#### **(iv) Property Development**

Revenue in this segment was derived from leasing of properties and building management fee income in Shunde, the PRC. During the Period, the Group recorded the rental, management and related fee income of approximately HK\$2,109,000 (5 months ended 30 June 2017: HK\$1,524,000). The segment result for the Period was HK\$447,000 (5 months ended 30 June 2017: HK\$40,010,000), represented a decrease of 98.9%. The decrease mainly due to the fair value gains on investment properties for the Corresponding Period amounted to HK\$40,834,000.

During the Period, the Group acquired China Gem (Shenzhen) Investment Consulting Limited (中石(深圳)投資諮詢有限公司), which currently owns a portion of residential properties inside No. 3 Building under the Golden Dragon Project, which is situated in Taiping Lake Scene Zone in Huangshan District, Huangshan City, Anhui Province. This portion comprises a total of 47 units with an area amounting to 4,718.73 square meters at a valuation of RMB 46,545,000 (equivalent to approximately HK\$55,151,000).

## **2. FUTURE PLANS**

Looking forward, the Group will continue to focus on the development of money lending, license and financial service business, fund investment and property development. Under the complicated macro-economic environment, the Group will adhere to the business philosophy of "Professionalism, Dedication, Devotion" and "Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence", and will strive for our overall business development by fully exploring the synergy and interconnection between our existing business segments. The Board and management of the Company believe that, with a clear position, a team of professionals and effective execution capabilities, the Company will continue to enhance its core competitiveness and overall profitability to create greater value for the shareholders.

### **(I) Money Lending**

Considering the capital requirements in the current economic environment, the Group will continue to ensure moderate growth of the money lending size, and exercise prudence in considering the credit quality, repayment ability and collaterals of borrowers. Besides improving our credit policies, we will continue to optimize the overall credit quality of our loan portfolios.

### **(II) License and Financial Service Business**

For license business, in the second half of 2018, the Group will continue to study the establishment of Special Opportunity Investment Fund and actively carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

In addition, for non-license financial service business, the Group will give full play to its talent advantages and intellectual output, provide tailor-made professional and comprehensive financial service solutions for customers. The Group will seek investment and growth opportunities in order to generate additional revenue through the linkage between domestic and overseas business, and the asset-light strategy.

### (III) Strategic financial investment

The Group will continue to seize opportunity in fund investments in order to utilize the Group's financial resources more efficiently and effectively. To yield better investment returns, the Group will strengthen its original investment fund management, deepen its understanding of fund operations, and fully tap into the experiences and expertise of the management team and general partners in its investment funds.

### (IV) Property Development

In view of restrictions imposed on property projects in Mainland China, the Group will prepare appropriate entry and exit strategies in the interest of the Company and its shareholders as a whole. As for projects that underperform our expectations, we will elect to exit when timing is right. Furthermore, we will continue to explore other property development opportunities to expand our investment property portfolio and consolidate our revenue base, safeguarding the potential of capital appreciation for the Group. Acquisition of investment properties in Huangshan District was one of our important steps to strengthen our income base from property development segment.

## LIQUIDITY AND FINANCIAL RESOURCES

	<b>30 June 2018 (Unaudited) HK\$'000</b>	31 December 2017 (Audited) HK\$'000
Debt	<b>655,453</b>	616,882
Total equity	<b>543,867</b>	483,899
Gearing ratio	<b>120.5%</b>	127.5%
Current ratio	<b>3.68</b>	4.44

## CHARGES ON GROUP ASSETS

As at 30 June 2018, none of the Group's asset was pledged or charged.

## **SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MAJOR INVESTMENTS**

Significant investments are mainly fund investments as set out in “Business review — Strategic financial investment”.

In the future, the Group will continue to identify new opportunities for business development. The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other specific future plans relating to material acquisitions, investments or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the future, the Group will perform feasibility studies and prepare implementation plans to assess whether it is beneficial to the Group and the shareholders of the Company (the “Shareholders”) as a whole.

## **FOREIGN CURRENCY EXPOSURE**

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars, US dollars and Renminbi. For the six months ended 30 June 2018, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

## **MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Details of acquisition of a subsidiary are set out in Note 14 to the Interim Financial Statements.

## **CONTINGENT LIABILITIES**

Details of contingent liabilities are set out in Note 16 to the Interim Financial Statements.

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 June 2018 (31 December 2017: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2018, the Group had 34 employees in Hong Kong and China (31 December 2017: 28) and the total staff costs amounted to HK\$10,757,000 (five months ended 30 June 2017: HK\$6,464,000). 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.

# FUND RAISING ACTIVITY

## PLACING OF NEWS SHARES UNDER GENERAL MANDATE

Pursuant to a placing agreement dated 20 April 2018 entered into between the Company and Partners Capital Securities Limited (the "Placing Agent"), the Placing Agent agreed to place up to 719,000,000 new shares at placing price of HK\$0.12 per share to not less than six placees, who are independent of and not connected with the Company, the connected persons of the Company and their respective associates. The aforesaid placing was completed on 15 May 2018, an aggregate of 540,000,000 new shares at HK\$0.12 per share was issued and the net proceeds from the placing amounted to approximately HK\$64.3 million (the "Placing").

As disclosed in the announcement date 15 May 2018, the proceeds were intended to be utilised for the property development related business (approximately HK\$25 million) and for general working capital (approximately HK\$39.3 million). During the Placing to 30 June 2018, approximately HK\$45 million was used as general working capital (including approximately HK\$41 million for our core business – money lending business). To align with the Group's expansion plan on our money lending business, the directors change the use of the partial unutilised proceeds from property development related business to money lending business. As of 30 June 2018, the Group reserved about HK\$15 million for the property development related business and HK\$4.3 million for general working capital. The directors considered that such change in the use of the 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.



# OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (five months ended 30 June 2017: Nil).

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

As at 30 June 2018, none of the Directors or chief executive of the Company or their respective close associates 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 Securities and Futures Ordinance (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") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 mandate 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 41,353,733 shares as at 30 June 2018 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 2018 and no share options were granted, exercised, cancelled or lapsed during the Period.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2018, so far as being known to the Directors or chief executive of the Company, the interests and short positions of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of Shares held in long position (L)/ short position (S)	Approximate percentage of the total issued Shares (Note f)
China Gem Financial Group Limited	Beneficial owner	1,233,011,080 (L) 359,537,333 (S)	29.82 % (L) 8.69% (S)
China Gem Group Limited (Note a)	Interests in controlled corporation	1,233,011,080 (L) 359,537,333 (S)	29.82 % (L) 8.69% (S)
Zhong Ling (Note b)	Interests in controlled corporation	1,233,011,080 (L) 359,537,333 (S)	29.82% (L) 8.69% (S)
Hua Tai Investment Co. Ltd. An Hong (Note c)	Beneficial owner Interests in controlled corporation	493,160,000 (L) 493,160,000 (L)	11.93% (L) 11.93% (L)
至卓飛高企業管理諮詢服務(韶關)有限公司	Person having a security interest in shares	493,160,000 (L)	11.93% (L)
Topsearch Printed Circuits (HK) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.93% (L)
Topsearch Industries (Holdings) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.93% (L)
Topsearch Industries (BVI) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.93% (L)
China HKBridge Holdings Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.93% (L)
Prosper Talent Limited (Note e)	Person having a security interest in shares	359,537,333 (L)	8.69% (L)
CCBI Investments Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.69% (L)
CCB International (Holdings) Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.69% (L)
CCB Financial Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.69% (L)
CCB International Group Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.69% (L)
China Construction Bank Corporation (Note e)	Interests in controlled corporation	359,537,333 (L)	8.69% (L)
Central Huijin Investment Ltd. (Note e)	Interests in controlled corporation	359,537,333 (L)	8.69% (L)

Notes:

- (a) China Gem Group Limited was deemed to be interested in the 1,233,011,080 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 1,233,011,080 shares as he indirectly held 100% of the issued shares of China Gem Financial Group Limited.
- (c) Mr. An Hong was deemed to be interested in the 493,160,000 shares as he directly held 100% of the issued shares of Hua Tai Investment Co. Ltd.
- (d) 至卓飛高企業管理諮詢服務(韶關)有限公司 is a wholly-owned subsidiary of Topsearch Printed Circuits (HK) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (Holdings) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (BVI) Limited, which in turn is a wholly-owned subsidiary of China HKBridge Holdings Limited.
- (e) On 3 November 2017, the Company entered into a note purchase agreement with Prosper Talent Limited in relation to two-year notes in an aggregate principal amount of HKD180 million. China Gem Financial Group Limited charged 359,537,333 shares in favour of the Prosper Talent Limited as security for the notes.

Prosper Talent Limited is a wholly-owned subsidiary of CCBI Investments Limited, which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited, which in turn is a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn is a wholly-owned subsidiary of CCB International Group Holdings Limited, which in turn is a wholly-owned subsidiary of China Construction Bank Corporation, which is 57.11% held by Central Huijin Investment Ltd..

- (f) These percentages are calculated on the basis of 4,135,373,330 issued shares of the Company as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any other 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.

## **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 six months ended 30 June 2018.

## SECURITIES IN ISSUE

During the six months ended 30 June 2018, a total of 540,000,000 new shares were issued on 15 May 2018 by the Company pursuant to the placing agreement dated 20 April 2018.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30 June 2018.

As at 30 June 2018, there were 4,135,373,330 shares in issue.

## 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 as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. 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 six months ended 30 June 2018.

## UPDATE ON DIRECTORS' INFORMATION

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

- (a) Mr. Cui Lei has been appointed as director of certain members of the Group.
- (b) Mr. Wu Shiming has resigned as an independent non-executive Director, the chairman of each of the audit committee and the remuneration committee and a member of the nomination committee of the Company with effect from 30 May 2018.
- (c) Mr. He Yaode has been appointed as independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 30 May 2018.
- (d) Mr. Wong Wai Chun Alex has been appointed as the chairman of the audit committee of the Company with effect from 30 May 2018.
- (e) Mr. Su Xihe has been appointed as the chairman of the remuneration committee of the Company with effect from 30 May 2018.

## **AUDIT COMMITTEE REVIEW**

The unaudited interim financial statements of the Group for the six months ended 30 June 2018 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.

## **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, 27 August 2018