



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

2019

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Liu Jieshan, *Chairman*
Mr. Cui Lei, *Chief Executive*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Su Xihe
Mr. Wong Wai Chun Alex
Mr. He Yaode

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

COMPANY SECRETARY

Ms. Ho Wing Yan *ACIS ACS (PE)*

AUTHORISED REPRESENTATIVES

Mr. Cui Lei
Ms. Ho Wing Yan *ACIS ACS (PE)*

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STOCK CODE

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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 2019 (the “Period”) together with comparative figures for the corresponding period in 2018 (the “Corresponding Period”) 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 2019

		Six months ended 30 June 2019 (Unaudited) HK\$'000	Six months ended 30 June 2018 (Unaudited) HK\$'000
	Notes		
Revenue	3	50,195	50,180
Other income/(expenses)		1,938	(346)
Administrative expenses		(56,841)	(21,828)
Other operating expenses		(354)	(617)
Fair value gains/(losses) on financial assets at fair value through profit or loss		13,899	(4,163)
Finance costs	4	(26,459)	(27,784)
Loss before income tax	5	(17,622)	(4,558)
Income tax expense	6	—	—
Loss for the period		(17,622)	(4,558)

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

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) HK\$'000	Six months ended 30 June 2018 (Unaudited) HK\$'000
Loss for the period attributable to:			
Owners of the Company		(17,622)	(4,558)
Non-controlling interests		—	—
		(17,622)	(4,558)
Other comprehensive (expense)/income for the period, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(9)	231
		(9)	231
Total comprehensive expenses for the period		(17,631)	(4,327)
Total comprehensive expenses attributable to			
Owners of the Company		(17,631)	(4,327)
Non-controlling interests		—	—
		(17,631)	(4,327)
Loss per share		HK cents	HK cents
Basic and diluted	7	(0.42)	(0.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		2,279	2,827
Right-of-use assets		3,157	—
Investment properties	8	210,035	210,079
Intangible assets		—	538
Rental deposits		—	1,636
Total non-current assets		215,471	215,080
Current assets			
Properties held for sale		7,020	7,240
Properties under development		31,431	31,431
Right-of-use assets		4,267	—
Loan receivables	9	231,313	258,996
Trade and other receivables	10	148,690	119,012
Deposits and prepayments		6,416	3,330
Financial assets at fair value through profit or loss		651,126	637,251
Cash and cash equivalents		3,940	6,887
Total current assets		1,084,203	1,064,147
Current liabilities			
Trade and other payables	11	40,542	38,237
Accruals		95,634	74,655
Loans from shareholders	12	49,598	49,598
Lease liabilities		4,286	—
Other borrowings		66,327	76,245
Senior notes		179,407	178,688
Total current liabilities		435,794	417,423
Net current assets		648,409	646,724
Total assets less current liabilities		863,880	861,804

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

		At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
	Notes		
Non-current liabilities			
Other borrowings		351,495	351,600
Lease liabilities		3,724	—
Deferred tax liabilities		26,674	26,678
Total non-current liabilities		381,893	378,278
NET ASSETS		481,987	483,526
Capital and reserves			
Share capital	13	42,327	41,354
Reserves		434,768	437,280
Equity attributable to owners of the Company		477,095	478,634
Non-controlling interests		4,892	4,892
TOTAL EQUITY		481,987	483,526

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Distributable reserve	Contributable surplus	Share option reserve	Accumulated losses	Total	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019, as previously reported	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,371)	478,634	483,526
Effect of adoption of HKFRS 16	—	—	—	—	—	—	—	(452)	(452)	(452)
As at 1 January 2019, as restated	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,823)	478,182	483,074
Transactions with owners										
Issue of shares upon exercise of shares options (note 13)	973	11,952	—	—	—	—	3,619	—	16,544	16,544
Loss for the period	—	—	—	—	—	—	—	(17,622)	(17,622)	(17,622)
Exchange differences on translating foreign operations	—	—	—	(9)	—	—	—	—	(9)	(9)
Total comprehensive expenses for the period	—	—	—	(9)	—	—	—	(17,622)	(17,631)	(17,631)
As at 30 June 2019	42,327	1,900,512	11,613	5,942	77,033	1,080,948	7,165	(2,648,445)	477,095	481,987

For the six months ended 30 June 2018 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Distributable reserve	Contributable surplus	Accumulated losses	Total	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
Transactions with owners										
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 expenses 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June 2019 (Unaudited) HK\$'000	Six months ended 30 June 2018 (Unaudited) HK\$'000
Net cash used in operating activities	(8,185)	(248,519)
Net cash generated from/(used in) investing activities	378	(141)
Net cash generated from financing activities	4,153	102,206
Decrease in cash and cash equivalents	(3,654)	(146,454)
Cash and cash equivalents at the beginning of the period	6,887	171,081
Effect of foreign exchange rate changes	707	231
Cash and cash equivalents at the end of the period	3,940	24,858

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019 (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 year ended 31 December 2018, 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 December 2018, except for the following:

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 HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Annual Improvements	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
2015–2017 Cycle	

Other than as explained below regarding the impact of HKFRS 16 Leases, the other new and revised HKFRSs has had no significant financial impact on these Interim Financial Statements. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the condensed consolidated statement of financial positions as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months from the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK\$'000 (unaudited)
Assets	
Increase in right-of-use assets	9,948
Increase in total assets	9,948
Liabilities	
Increase in lease liabilities	10,400
Increase in total liabilities	10,400

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is follows:

	HK\$'000 (unaudited)
Operating lease commitments as at 31 December 2018	10,698
Weighted average incremental borrowing rate as at 1 January 2019	10.1%
Discounted operating lease commitments as at 1 January 2019	10,400
Lease liabilities as at 1 January 2019	10,400

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2. SEGMENT INFORMATION

During the six months ended 30 June 2019, the Group had four (six months ended 30 June 2018: four) 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 ended 30 June 2019 and 2018 are presented below:

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment										
revenue	11,269	12,512	1,323	962	34,570	34,597	3,033	2,109	50,195	50,180
Results										
Segment results	(3,741)	10,236	648	(598)	31,944	27,418	772	447	29,623	37,503
Unallocated corporate expenses									(20,786)	(14,277)
Finance cost									(26,459)	(27,784)
Loss before income tax									(17,622)	(4,558)
Fair value gain/(losses) on financial assets at fair value through profit or loss	—	—	—	—	13,899	(4,163)	—	—	13,899	(4,163)

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.

(b) Segment assets and liabilities

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(audited)	(Unaudited)	(audited)	(Unaudited)	(audited)	(Unaudited)	(audited)	(Unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets										
Reportable segment asset	258,344	274,201	2,894	43,531	727,897	693,407	256,396	254,162	1,245,531	1,265,301
Unallocated assets									54,143	13,926
Total assets									1,299,674	1,279,227

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(audited)	(Unaudited)	(audited)	(Unaudited)	(audited)	(Unaudited)	(audited)	(Unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liabilities										
Reportable segment liabilities	(2,452)	(101)	(9)	(75)	(1,094)	(1,524)	(38,337)	(37,842)	(41,892)	(39,542)
Unallocated liabilities									(749,121)	(729,481)
Deferred tax liabilities									(26,674)	(26,678)
Total liabilities									(817,687)	(795,701)

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, loans from shareholders, 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 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Revenue from external customers		
— PRC	3,033	2,938
— Hong Kong	47,162	47,242
	50,195	50,180

	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Specific non-current assets		
— PRC	210,555	210,601
— Hong Kong	4,916	4,479
	215,471	215,080

3. REVENUE

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Rental income	1,375	1,082
Building management fee income	834	1,027
Sale of property in the PRC	824	—
Loan interest income	11,269	12,512
License and financial services income	1,323	962
Interest income from financial assets investment	34,570	34,597
	50,195	50,180

4. FINANCE COSTS

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Interest on loans from shareholders	258	256
Interest on other borrowings	17,866	19,727
Interest on lease liabilities	475	—
Imputed interest on senior notes	7,860	7,801
	26,459	27,784

5. LOSS BEFORE INCOME TAX

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Loss before income tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	434	415
Depreciation of right-of-use assets	2,525	—
Impairment of loan receivables	15,434	—
Impairment of trade and other receivables	15,809	—
Staff costs, including directors' remuneration		
• Retirement benefits scheme contributions	285	234
• Salaries and other benefits	16,458	10,523

6. INCOME TAX EXPENSE

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	—	—
	—	—

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2018 and 2019 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 was made as there were tax losses brought forward to set-off the estimated assessable profits during the six months ended 30 June 2018 and 2019.

7. LOSS PER SHARE

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(17,622)	(4,558)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	4,153,415,098	3,759,820,318

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

During the six months ended 30 June 2019, diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share, and is regarded as anti-dilutive.

Diluted loss per share for the six months ended 30 June 2018 and 2019 are 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 2019.

8. INVESTMENT PROPERTIES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Fair value:		
Completed investment properties, in the PRC	142,873	142,917
Investment properties under construction, in the PRC	67,162	67,162
	210,035	210,079
		Total (Unaudited) HK\$'000
Fair value:		
At 1 January 2019		210,079
Sale of property in the PRC		(44)
At 30 June 2019		210,035

The Group's properties are either held to earn rental income or for capital appreciation purpose, are measured using fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 30 June 2019 and 31 December 2018 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 2019, included in investment properties with a fair value of approximately RMB46,800,000 (approximately HK\$53,230,000) for which the Group has not yet obtained the building ownership certificate. The Group is in the process of applying the housing ownership certificate.

9. LOAN RECEIVABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Loan receivables	249,961	262,210
Less: Impairment allowances	(18,648)	(3,214)
	231,313	258,996

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Hong Kong dollars	219,191	238,979
Renminbi ("RMB")	12,122	20,017
	231,313	258,996

As at 30 June 2019, loan receivables are secured by collaterals or personal guarantee provided by customers, bear interest ranging from 10% - 15% (At 31 December 2018: 7.5% - 15%) per annum and are repayable with fixed terms agreed with the Group's customers. As at 30 June 2019, for certain loan receivables, the fair value of the collaterals is higher than the outstanding principal and interest. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

Included in the loan receivables (net of impairment losses) with the following ageing analysis, based on draw down dates, at the end of reporting period:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Current	12,122	143,145
Less than 1 month	54,312	1,966
1 to 6 months	61,556	113,885
7 to 12 months	103,323	—
	231,313	258,996

The carrying amount of the loan receivables approximate to their fair values due to the short-term maturities.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade receivables arising from license and financial service business	39,460	40,011
Investment income receivable arising from financial assets investment	75,313	55,829
Other receivables	33,917	23,172
	148,690	119,012

The settlement terms of trade receivables are normally due within one year from date of billing. All trade receivables are non-interest bearing. An ageing analysis of trade receivables at end of each reporting period, based on the invoice date, is as follows:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
0-90 days	—	1,563
Over 365 days	39,460	38,448
	39,460	40,011

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

As at 30 June 2019, included in other receivables were amount of HK\$4,900,000 (31 December 2018: HK\$4,900,000) and HK\$3,753,420 (31 December 2018: HK\$3,589,000) 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 are unsecured, interest-free and repayable on demand.

The movement in the allowance for impairment in respect of trade and interests receivables was as follows:

	Impairment loss allowance		
	Trade receivables HK\$'000	Interest receivables HK\$'000	Total HK\$'000
Balance at 1 January 2018	—	—	—
Impairment loss recognised during the year	2,966	12,194	15,160
Balance at 1 January 2019	2,966	12,194	15,160
Impairment loss recognised during the period	724	15,085	15,809
At 30 June 2019	3,690	27,279	30,969

11. TRADE AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables	28,482	28,115
Other payables	12,060	10,122
	40,542	38,237

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

	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Audited) HK\$'000
Over 365 days	28,482	28,115

At 30 June 2019, trade payables of approximately HK\$28,482,000 (31 December 2018: HK\$28,115,000), representing the outstanding construction fee in dispute (please refer to notes 22 and 28 of the consolidated financial statements for the year ended 31 December 2018).

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Unaudited) HK\$'000
Hong Kong dollars	2,044	729
RMB	38,498	37,508
	40,542	38,237

12. LOAN FROM SHAREHOLDERS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Linshan Limited ("Linshan")	49,598	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 20 of the consolidated financial statements for the year ended 31 December 2018.

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares		
At 31 December 2017 and 1 January 2018	3,595,373,330	35,954
Issue of shares upon placing (note a)	540,000,000	5,400
At 31 December 2018	4,135,373,330	41,354
Issue of shares upon exercise of share options (note b)	97,340,000	973
At 30 June 2019	4,232,713,330	42,327

Notes:

- (a) 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 placees 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.
- (b) During the six months ended 30 June 2019, 97,340,000 ordinary shares were issued upon exercise of a total of 97,340,000 share options at exercise price HK\$0.108 per share, giving rise to aggregate net proceeds of approximately HK\$10,512,000.

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:

	RMB'000	HK\$'000
Bank balances	451	535
Other receivables	3,039	3,601
Investment properties	46,545	55,140
Properties, plant and equipment	12	14
Other payables	(48,920)	(57,958)
Net assets acquired	1,127	1,332
Consideration payable	1,127	1,332
Cash inflow on acquisition of a subsidiary	451	535

15. 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\$3,637,000 as at 30 June 2019) and RMB3,961,000 (equivalent to approximately HK\$4,505,000) 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 two execution cases were closed and such amounts were fully covered by the frozen bank accounts of the former PRC contractor.

16. 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:

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Interest expenses incurred on loans from shareholders	(258)	(256)
License service income (<i>note</i>)	1,323	962
Interest income from a related party	2	2

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:

	For the six months ended 30 June 2019 (Unaudited) HK\$'000	For the six months ended 30 June 2018 (Unaudited) HK\$'000
Salaries and other short-term benefits	12,559	6,546
Post-employment benefits	54	54
	12,613	6,600

17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved and authorised for issue by the Board of Directors on 28 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

(i) Money lending

The Group has provided a wide range of loans with accumulated amount of approximately HK\$250 million as of 30 June 2019 (31 December 2018: HK\$262.2 million). Interest rates ranging from 10%-15% (31 December 2018: 7.5%-15%). The Group did not further 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 in this segment was approximately HK\$11,269,000 during the Period (six months ended 30 June 2018: HK\$12,512,000), representing a decrease of 9.9% compare to the Corresponding Period.

(ii) License and Financial Service Business

During the Period, the Group provides administrative services to other investment managers of funds domiciled in Cayman Island. The license and financial business has generated revenue of approximately HK\$1,323,000 (six months ended 30 June 2018: HK\$962,000), 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 2019, the total subscribed amount of investment the Group made to five investments funds was approximately 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.

	Amount (in millions of HK\$)
Fair value at 1 January 2019	637.2
Change in fair value	13.9
Fair value at 30 June 2019	651.1

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.

	As at 30 June 2019	
	Amount	Percentage
	(in millions of HK\$)	
Debt securities	519.0	79.7%
Convertible bond	132.1	20.3%
Total	651.1	100%

During the Period, the revenue generated from funds amounted to approximately HK\$34,570,000 (six months ended 30 June 2018: approximately HK\$34,597,000) and a fair value gain on financial assets through profit and loss amounted to approximately HK\$13,899,000 million (six months ended 30 June 2018: loss HK\$4,163,000).

(iv) Property Development

Revenue in this segment was derived from leasing of properties and building management fee income and sale of residential units in Shunde, the PRC. During the Period, the Group recorded the segment income of approximately HK\$3,033,000 (six months ended 30 June 2018: HK\$2,109,000). The segment profit for the Period was HK\$772,000 (six months ended 30 June 2018: HK\$447,000), represented an increase of 72.7% compare to the Corresponding Period. The increase mainly due to the sale of property in the PRC.

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 while gradually carrying out special opportunity real estate and special opportunity debt business. 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*

Under current economic environment, in order to protect shareholders’ interests and avoid risks, the Group will exercise prudent approach in assessing money lending projects and conduct proper control over the scale of money lending business. 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 2019, 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.

(V) Special opportunity real estate and special opportunity debt business

During the Period, under the low status of China's macro economy, coupled with structural deleveraging, corporate debt defaults took place frequently and the scale of non-performing assets sharply increased, which created good investment opportunities for the counter-cyclical investment of special opportunity funds. The Group could make flexible use of various disposal methods of non-performings assets, including debt restructuring, securitization, conversion of debt to equity to rebuild the business model of enterprises, or carry out business transformation of the subject enterprise, explore new markets, customers and business in an value-added way, and reshape the intrinsic value of enterprises, which will revitalize non-performing assets while achieving good investment returns for investors. The Company will utilise its special knowledge on the non-performing assets, gradually develop special opportunity real estate and special opportunity debt business and form a new asset management business mode in the future.

LIQUIDITY AND FINANCIAL RESOURCES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Debt	646,827	656,131
Total equity	481,987	483,526
Gearing ratio	134.2%	135.7%
Current ratio	2.49	2.55

CHARGES ON GROUP ASSETS

As at 30 June 2019, 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 2019, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

CONTINGENT LIABILITIES

Save as disclosed in note 15 to the condensed consolidated financial statement, the Group had no material contingent liability as at 30 June 2019 (31 December 2018: Nil).

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2019 (31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 29 employees in Hong Kong and China (31 December 2018: 32) and the total staff costs amounted to HK\$16,743,000 (six months ended 30 June 2018: HK\$10,757,000). 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.

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 11 March 2019, the Company entered into the subscription agreement (the “Subscription Agreement”) with Pearl River Capital Limited (the “Subscriber”), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 8% coupon convertible bonds due 2022 in the principal amount of HK\$115 million (the “Convertible Bonds”).

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the conversion price of HK\$0.14, a maximum number of 821,428,571 conversion shares will be allotted and issued, representing (i) approximately 19.41% of the existing issued share capital of the Company as at 30 June 2019; and (ii) approximately 16.25% of the issued share capital of the Company as enlarged by the issue of the conversion shares under the Convertible Bonds. As at the date of this report, no Convertible Bonds have been issued.

Please refer to the announcement of the Company dated 11 March 2019 for details.

SECURITIES IN ISSUE

On 18 April 2019, 10,600,000 shares of the Company (the “Shares”) were issued upon exercise of the share options by Director under the share option scheme adopted by the Company on 28 July 2010 (the “Terminated Scheme”).

On 28 May 2019, 34,740,000 Shares were issued upon exercise of the share options by Directors under the Terminated Scheme.

On 6 June 2019, 52,000,000 Shares were issued upon exercise of the share options by Directors under the Terminated Scheme.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30 June 2019.

As at 30 June 2019, there were 4,232,713,330 Shares in issue.

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

Save as disclosed herein, 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 2019.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

As at 30 June 2019, the following Directors or the chief executive of the Company had 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 (Chapter 571 of the Laws of Hong Kong) (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 and short positions which they were taken or deemed to have 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, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Directors	Capacity/Nature of Interest	Number of ordinary Shares	Number of underlying Shares held pursuant to share options	Total	Approximate percentage of the total issued Shares (Note a)
Liu Jieshan	Beneficial owner	24,040,000	17,300,000	41,340,000	0.98%
Cui Lei	Beneficial owner	21,900,000	19,440,000	41,340,000	0.98%

Note:

(a) These percentages are calculated on the basis of 4,232,713,330 issued Shares as at 30 June 2019.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2019, 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 h)
China Gem Financial Group Limited	Beneficial owner	820,092,952 (L)	19.38% (L)
		511,281,872 (S)	12.08% (S)
China Gem Group Limited (Note a)	Interests in controlled corporation	820,092,952 (L)	19.38% (L)
		511,281,872 (S)	12.08% (S)
Zhong Ling (Note b)	Interests in controlled corporation	820,092,952 (L)	19.38% (L)
		511,281,872 (S)	12.08% (S)
Hua Tai Investment Co. Ltd.	Beneficial owner	648,878,128 (L)	15.33% (L)
		138,718,128 (S)	3.28% (S)
An Hong (Note c)	Interests in controlled corporation	648,878,128 (L)	15.33% (L)
		138,718,128 (S)	3.28% (S)
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)	11.65% (L)
Topsearch Printed Circuits (HK) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.65% (L)
Topsearch Industries (Holdings) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.65% (L)
Topsearch Industries (BVI) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.65% (L)
China HKBridge Holdings Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.65% (L)
Prosper Talent Limited (Note e)	Person having a security interest in shares	359,537,333 (L)	8.49% (L)
CCBI Investments Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.49% (L)
CCB International (Holdings) Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.49% (L)
CCB Financial Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.49% (L)
CCB International Group Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.49% (L)
China Construction Bank Corporation (Note e)	Interests in controlled corporation	359,537,333 (L)	8.49% (L)
Central Huijin Investment Ltd. (Note e)	Interests in controlled corporation	359,537,333 (L)	8.49% (L)

Name	Capacity	Number of Shares held in long position (L)/ short position (S)	Approximate percentage of the total issued Shares (Note h)
Fen River Capital Limited	Beneficial owner	5,880,000 (L)	0.14% (L)
	Person having a security interest in shares	290,462,667 (L)	6.86% (L)
Huang Zhengxiong (Note f)	Interests in controlled corporation	296,342,667 (L)	7.00% (L)
Pearl River Capital Limited	Beneficial owner	821,428,571 (L)	19.41% (L)
Chen Shitu (Note g)	Interests in controlled corporation	821,428,571 (L)	19.41% (L)

Notes:

- (a) China Gem Group Limited was deemed to be interested in the 820,092,952 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 820,092,952 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 648,878,128 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 HK\$180 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) Mr. Huang Zhengxiong was deemed to be interested in the 296,342,667 shares as he directly held 100% of the issued shares of Fen River Capital Limited.
- (g) Mr. Chen Shitu was deemed to be interested in the 821,428,571 Shares as he directly held 100% of the issued shares of Pearl River Capital Limited.
- (h) These percentages are calculated on the basis of 4,232,713,330 issued Shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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.

SHARE OPTION SCHEME

The Terminated 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 and was terminated by the Shareholders on 27 May 2019. The primary purpose of the Terminated Scheme is providing incentive to the eligible employees and Directors. Before the termination of the Terminated Scheme and under the terms of the Terminated Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the Terminated Scheme including the directors and employees of the Company or its subsidiaries to subscribe for Shares 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. Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

Details of the share options outstanding as at 30 June 2019 which have been granted under the Scheme are as follows:

Category and name of participants	Grant date	Exercisable from	Exercisable until	Outstanding as at 1 January 2019	Granted during the Period	Exercised during the Period (Note)	Lapsed/ Cancelled during the Period	Outstanding as at 30 June 2019	Exercise price per Share (HK\$)
Directors									
Liu Jieshan	23 November 2018	23 November 2018	22 November 2023	4,134,000	—	4,134,000	—	—	0.108
	23 November 2018	23 February 2019	22 November 2023	16,536,000	—	16,536,000	—	—	0.108
	23 November 2018	23 May 2019	22 November 2023	20,670,000	—	3,370,000	—	17,300,000	0.108
Cui Lei	23 November 2018	23 November 2018	22 November 2023	4,134,000	—	4,134,000	—	—	0.108
	23 November 2018	23 February 2019	22 November 2023	16,536,000	—	16,536,000	—	—	0.108
	23 November 2018	23 May 2019	22 November 2023	20,670,000	—	1,230,000	—	19,440,000	0.108
Employees	23 November 2018	23 November 2018	22 November 2023	16,536,000	—	8,268,000	4,134,000	4,134,000	0.108
	23 November 2018	23 February 2019	22 November 2023	66,144,000	—	32,402,000	16,536,000	17,206,000	0.108
	23 November 2018	23 May 2019	22 November 2023	82,680,000	—	10,730,000	20,670,000	51,280,000	0.108
Total				248,040,000		97,340,000	41,340,000	109,360,000	

Note: The weighted average closing price of the Shares immediately before the dates on which the share options were exercised is approximately HK\$0.148.

The new share option scheme of the Company (the “New Scheme”) was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 27 May 2019. The purpose of the New Scheme is to enable the Company to grant Options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Company. Under the terms of the New Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the directors and employees of the Company or its subsidiaries to subscribe for shares in the Company at a price not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the Share on the offer date. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee (including exercised and outstanding options) in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue 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 New Scheme shall be valid and effective for a period of ten years commencing from its date of adoption on 27 May 2019 and expiring on 26 May 2029. No share option has been granted, exercised, lapsed or cancelled under the New Scheme up to the date of this report.

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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in Appendix 10 of 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 2019. The Company also adopted a code of conduct governing securities transactions by its employees who may access to inside information relating to the Company.

AUDIT COMMITTEE REVIEW

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. He Yaode and Mr. Wong Wai Chun Alex who is the chairman of this committee.

The unaudited interim financial statements of the Group for the six months ended 30 June 2019 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange and the Company. The Company's interim report for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the said websites in due course.

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, 28 August 2019