China Gem Holdings Limited
中國中石控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Directors") of China Gem Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*5*	**19,985**	103,938
Other income, net	*6*	**65**	1,274
Administrative expenses		**(28,987)**	(41,954)
Other operating expenses		**(3,958)**	(2,754)
Fair value (losses) gains on investment properties		**(731)**	22,890
Fair value losses on financial assets at fair value through profit or loss		**(409,314)**	(137,195)
Expected credit loss on financial assets		**(117,022)**	(279,619)
Finance costs		**(92,431)**	(57,743)
Loss before income tax	*7*	**(632,393)**	(391,163)
Income tax credits (expenses)	*8*	**152**	(11,352)
Loss for the year		**(632,241)**	(402,515)

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Other comprehensive income (expenses) for the year, net of tax			
Item that may be reclassified subsequently to profit or loss			
Exchanges differences on translation of foreign operations		**827**	(223)
Total comprehensive expenses for the year		**(631,414)**	(402,738)
Loss for the year attributable to:			
— Owners of the Company		**(632,240)**	(402,514)
— Non-controlling interests		**(1)**	(1)
		(632,241)	(402,515)
Total comprehensive expenses for the year attributable to:			
— Owners of the Company		**(631,413)**	(402,737)
— Non-controlling interests		**(1)**	(1)
		(631,414)	(402,738)
		HK cents	*HK cents*
Loss per share:			
Basic and diluted	*9*	**(14.9)**	(9.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**3,047**	9,121
Investment properties		**244,845**	231,487
Intangible assets		**—**	—
Total non-current assets		**247,892**	240,608
Current assets			
Properties held for sale		**1,671**	5,629
Properties under development		**31,431**	31,431
Loan receivables	*11*	**34,127**	113,770
Trade and other receivables	*12*	**20,823**	60,166
Deposits and prepayments		**2,375**	2,211
Financial assets at fair value through profit or loss	*13*	**90,591**	499,905
Cash and cash equivalents		**5**	1,439
Total current assets		**181,023**	714,551
Current liabilities			
Trade and other payables	*14*	**43,865**	39,319
Accruals	*15*	**230,787**	127,943
Lease liabilities	*19*	**—**	4,049
Loan from a former shareholder	*16*	**49,598**	49,598
Other borrowings	*17*	**419,933**	418,412
Senior notes	*18*	**179,967**	179,967
Total current liabilities		**924,150**	819,288
Net current liabilities		**(743,127)**	(104,737)
Total assets less current liabilities		**(495,235)**	135,871

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities	*19*	—	2,136
Deferred tax liabilities		**39,849**	37,405
Total non-current liabilities		**39,849**	39,541
NET (LIABILITIES) ASSETS		**(535,084)**	96,330
Capital and reserves			
Share capital		**42,500**	42,500
Reserves		**(582,474)**	48,939
Equity attributable to owners of the Company		**(539,974)**	91,439
Non-controlling interests		**4,890**	4,891
TOTAL (DEFICIT) EQUITY		**(535,084)**	96,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

China Gem Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is Unit 13B, 13/F., Gaylord Commercial Building, 114 Lockhart Road, Wanchai, Hong Kong.

2. CHANGES IN ACCOUNTING POLICIES

(a) HKFRSs that are first effective for the current accounting period

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8, Definition of Material

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in the financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018–2020 Cycle[1]	

1. Effective for annual periods beginning on or after 1 January 2022

The directors of the Company (the "Directors") anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

Going concern

During the year ended 31 December 2020, the Group reported a net loss attributable to the owners of the Company of HK$632,240,000 (2019: HK$402,514,000). In addition, as at 31 December 2020, the Group had net current liabilities of HK$743,127,000 (2019: HK$104,737,000).

Further, as explained in notes 17 and 18, as at 31 December 2020 and up to the date of approval of the consolidated financial statements, certain of the Group's borrowings were overdue and the Group committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective borrowings and financing agreements entered into by the Group and the lenders and investors. Though the Group has not received requests from the major lenders and investors to settle outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders and investors not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the lenders and investors have any current intention to exercise their right to demand immediate repayment thereon.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Accordingly, the Directors have been undertaking a number of measures to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group is now actively participating in the negotiations in respect of a potential restructuring of the Company's borrowings with its lenders and investors and is still negotiating and convincing the Group's investors and lenders such that no action will be taken by the relevant investors and lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms (the "Finance Reorganisation").

(ii) The Group is still identifying various options for raising of additional new sources of financing from the shareholders, related parties and the third parties. ("Additional Funding Plan").

(iii) The Group is still communicating with the Group's creditors, investors and lenders of the Group to maintain the relationship with them, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those creditors, investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis.

(iv) The Group continue to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having human resources optimisation and adjustment; (ii) reorganising the structure to each segment and maintaining close communication with customers, creditors, investors, lenders and banks etc; (iii) committing to soliciting for new customers to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc. (the "Business and Operation Restructuring Plan").

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flow through the following:

(i) Successful in the finalisation of the Finance Reorganisation with the investors and lenders;

(ii) Successful of the Additional Funding Plan in obtaining of additional new sources of financing as and when needed;

(iii) Successful maintenance of relationship with the Group's creditors, investors, lenders and banks, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those creditors, investors, lenders and banks against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(iv) Successful in the Group's Business and Operation Restructuring Plan.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has four (2019: four) reportable segments.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

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 the sales of residential units in the PRC.

(a) Segment revenues and results

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reporting segment revenue	**—**	25,103	**—**	1,323	**—**	68,648	**19,985**	8,864	**19,985**	103,938
Results										
Segment results	**(149,009)**	(133,988)	**(3,753)**	(1,075)	**(350,744)**	(162,200)	**18,359**	25,415	**(485,147)**	(271,848)
Unallocated corporate expenses									**(54,815)**	(61,572)
Finance cost									**(92,431)**	(57,743)
Loss before income tax									**(632,393)**	(391,163)
Other segment information										
Fair value (losses) gains on investment properties	**—**	—	**—**	—	**—**	—	**(731)**	22,890	**(731)**	22,890
Depreciation of property, plant and equipment	**(3,129)**	(4,557)	**—**	—	**—**	—	**(896)**	(278)	**(4,025)**	(4,835)
Fair value losses on financial assets at fair value through profit or loss	**—**	(7)	**—**	—	**(409,314)**	(137,188)	**—**	—	**(409,314)**	(137,195)
Impairment loss on loan receivables	**(79,643)**	(135,874)	**—**	—	**—**	—	**—**	—	**(79,643)**	(135,874)
Impairment loss on trade and other receivables	**(17,028)**	(15,996)	**(795)**	—	**(19,556)**	(127,547)	**—**	(202)	**(37,379)**	(143,745)

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

(b) Segment assets and liabilities

	Money lending		License and financial service business		Strategic financial investment		Property development		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets										
Reportable segment asset	**38,529**	133,321	**—**	1,413	**105,544**	533,460	**284,267**	278,037	**428,340**	946,231
Unallocated assets									**575**	8,928
Total assets									**428,915**	955,159
Liabilities										
Reportable segment liabilities	**(39,562)**	(37,752)	**—**	(3)	**(3,784)**	(3,655)	**(31,362)**	(33,422)	**(74,708)**	(74,832)
Unallocated liabilities									**(849,442)**	(746,592)
Deferred tax liabilities									**(39,849)**	(37,405)
Total liabilities									**(963,999)**	(858,829)

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, plant 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, deferred taxation and loans payable.

(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.

	2020	2019
	HK$'000	*HK$'000*
Revenue from external customers		
— PRC	**19,985**	10,408
— Hong Kong	**—**	93,530
	19,985	103,938
Specified non-current assets		
— PRC	**247,035**	234,229
— Hong Kong	**857**	6,379
	247,892	240,608

(d) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

		2020	2019
		HK$'000	*HK$'000*
Customer A	Revenue generated from the strategic financial investment segment & money lending segment	**N/A**	22,560
Customer B	Revenue generated from the strategic financial investment segment	**N/A**	16,455
Customer C	Revenue generated from the strategic financial investment segment	**N/A**	13,900
Customer D	Revenue generated from the strategic financial investment segment	**N/A**	11,733
		N/A	64,648

Note: No revenue was generated from the above customers during the year ended 31 December 2020.

(e) Reconciliation of reportable segment (loss) profit, assets and liabilities

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(485,147)**	(271,848)
Unallocated corporate expenses	**(54,815)**	(61,572)
Finance costs	**(92,431)**	(57,743)
Consolidated loss before income tax	**(632,393)**	(391,163)
Assets:		
Reportable segment assets	**428,340**	946,231
Unallocated corporate assets		
— Cash and cash equivalents	**5**	1,439
— Other corporate assets	**570**	7,489
	575	8,928
Consolidated total assets	**428,915**	955,159
Liabilities:		
Reportable segment liabilities	**(74,708)**	(74,832)
Unallocated corporate liabilities		
— Loan from a former shareholder	**(49,598)**	(49,598)
— Other corporate liabilities	**(799,844)**	(696,994)
	(849,442)	(746,592)
Deferred tax liabilities	**(39,849)**	(37,405)
Consolidated total liabilities	**(963,999)**	(858,829)

5. REVENUE

Revenue represents the sales of property in the PRC, rental and building management fee income from properties in the PRC, loan interest income from money lending business, license and financial service income and interest income from financial assets investment.

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customer within the scope of HKFRS 15:		
Sales of property in the PRC	**16,019**	4,244
Building management fee income	**1,190**	2,069
License and financial service income	**—**	1,323
	17,209	7,636
Revenue from other sources:		
Property rental income	**2,776**	2,551
Loan interest income	**—**	25,103
Investment income from strategic financial investment	**—**	68,648
	2,776	96,302
Total	**19,985**	103,938
Disaggregation of revenue recognition within scope of HKFRS 15:		
Sales of property in the PRC		
— At a point of time	**16,019**	4,244
Building management fee income		
— Transferred over time	**1,190**	2,069
License and financial service income		
— Transferred over time	**—**	1,323
	17,209	7,636

6. OTHER INCOME, NET

	2020	2019
	HK$'000	*HK$'000*
Other income:		
Interest income	**65**	130
Sundry income	**—**	543
	65	673
Other gain:		
Exchange gain, net	**—**	601
	65	1,274

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Cost of sales and services recognised as expenses*	**3,958**	2,754
Staff costs	**21,119**	28,076
Depreciation of		
— Owned property, plant and equipment *(note)*	**896**	948
— Right-of-use-assets included within leasehold land and buildings	**3,129**	3,887
Amortisation of intangible assets#	**—**	538
Auditor's remuneration#	**980**	780
Losses on disposals of property, plant and equipment	**—**	138
Impairment loss on loan receivables@	**79,643**	135,874
Impairment loss on trade and other receivables@	**37,379**	143,745
Short-term leases expenses	**657**	1,879

Note: Depreciation of property, plant and equipment of HK$896,000 (2019: HK$948,000) is included in administrative expenses.

* Items included in other operating expenses
\# Items included in administrative expenses
@ Items included in expected credit loss on financial assets

8. INCOME TAX (CREDITS) EXPENSES

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

	2020	2019
	HK$'000	*HK$'000*
Current tax		
— Tax for the year	**—**	—
— Under-provision in respect of previous years	**—**	—
	—	—
Deferred tax	**(152)**	11,352
Income tax (credits) expenses	**(152)**	11,352

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision has been made for Hong Kong Profits Tax as there are no assessable profits generated for both years.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

9. LOSS PER SHARE

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

	2020 *HK$'000*	2019 *HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(632,240)**	(402,514)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,250,013,330**	4,199,456,946

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

During the years ended 31 December 2020 and 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 for both years.

10. PRIOR YEAR ADJUSTMENTS

The Group held an interest in certain tree plantation operations situated in the Caraga region of Mindanao in the Philippines (the "Tree Plantation Operations") through equity investments.

These equity investments were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on 1 January 2018 upon the adoption of HKFRS 9, *Financial instruments*. In the opinion of the Directors, they believe that the fair value of the Tree Plant Operations was HK$Nil as at 31 December 2019 and that no realistic recovery of any value in the Tree Plantation Operations is presently likely or probable.

In evaluating the fair value of the Tree Plant Operations during the year ended 31 December 2020, the Directors reassessed the ownership and the carrying amount of these investments, and noted that the investment holding company of the Tree Plantation Operations, which was incorporated in the British Virgin Islands (the "BVI"), has been struck off under BVI Business Companies Act and removed from the companies registry of the BVI in 2019. The Group no longer held the ownership of the Tree Plantation Operations. As a result, these investments should be written off during the year ended 31 December 2019.

In evaluating the overall financial impact of the loss of ownership of the Tree Plantation Operations, as the reported fair value as at 31 December 2019 was zero, there is no financial impact and the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income are not restated.

11. LOAN RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Loan receivables	**252,792**	252,792
Less: Impairment allowances	**(218,665)**	(139,022)
	34,127	113,770

During the year ended 31 December 2020, impairment loss on loan receivables of HK$79,643,000 is recognised by the management based on independent valuation reports.

The Group's loan receivables, which arise from the money lending business of providing corporate loans in Hong Kong and the PRC.

As at 31 December 2020 and 2019, certain loan receivables are secured by collaterals or personal guarantee, bear interest ranging from 10%–15% per annum.

Loan receivables are repayable with fixed terms agreed with the Group's customers.

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:

	2020	2019
	HK$'000	*HK$'000*
More than 3 months	**34,127**	113,770

Details of the loan receivables and the impairment allowances are as follows:

	2020			2019		
	Gross loan receivables	**Allowances**	**Carrying value**	Gross loan receivables	Allowances	Carrying value
	HK$'000	***HK$'000***	***HK$000***	*HK$'000*	*HK$'000*	*HK$'000*
Loan receivables portfolio by security						
— Secured	**15,000**	**(12,975)**	**2,025**	15,000	(826)	14,174
— Unsecured	**237,792**	**(205,690)**	**32,102**	237,792	(138,196)	99,596
	252,792	**(218,665)**	**34,127**	252,792	(139,022)	113,770
Maturity profile of loan receivables portfolio						
Overdue Secured:						
— Overdue from 6 months to 1 year	—	—	—	15,000	(826)	14,174
— Overdue more than 1 year	**15,000**	**(12,975)**	**2,025**	—	—	—
	15,000	**(12,975)**	**2,025**	15,000	(826)	14,174
Unsecured:						
— Overdue from 1 day to 3 months	—	—	—	12,351	(4,331)	8,020
— Overdue from 6 months to 1 year	—	—	—	107,083	(69,304)	37,779
— Overdue more than 1 year	**237,792**	**(205,690)**	**32,102**	113,373	(64,367)	49,006
	237,792	**(205,690)**	**32,102**	232,807	(138,002)	94,805
	252,792	**(218,665)**	**34,127**	247,807	(138,828)	108,979
Not yet overdue						
— Unsecured	—	—	—	4,985	(194)	4,791
	252,792	**(218,665)**	**34,127**	252,792	(139,022)	113,770

The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

As at 31 December 2020, the Group's overdue secured loan receivables amounted to HK$15,000,000 (2019: HK$15,000,000), net of the allowances of HK$12,975,000 (2019: HK$826,000) and the related interest income receivable of HK$1,574,000 (2019: HK$1,574,000), net of the allowances of HK$1,362,000 (2019: HK$87,000). The amount was overdue for more than 1 year (2019: 180 days).

As at 31 December 2020 and 2019, for secured loan receivables, in the opinion of the Directors, the fair value of the collaterals approximate to the carrying amounts of the loan receivables. The Directors performed a fair value assessment of the collateral of the secured loan receivables. The fair value assessment has adopted certain key inputs and assumptions in respect of the fair value assessment, including but not limited to (1) the fair value of the collateral assets; (2) the future cash flow of the collateral assets; and (3) other key assumptions adopted in the fair value assessment. In the opinion of the Directors, the fair value based on the best estimate of the Directors to the best available financial and other information.

As at 31 December 2020, the Group's overdue unsecured loan receivables amounted to HK$237,792,000 (2019: HK$232,807,000), net of the allowances of HK$205,690,000 (2019: HK$138,002,000) and the related interest receivable of HK$32,609,000 (2019: HK$32,609,000), net of the allowances of HK$28,207,000 (2019: HK$15,988,000). Most of them were overdue for more than 1 year (2019: 180 days).

Pursuant to the Company's accounting policy, the Group recognises loss allowances for expected credit loss ("ECL") on loan and related interest receivables. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. The Group considers a financial asset to be credit-impaired when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 180 days past due.

The Directors performed an assessment on the allowances for ECL on loan and related interest receivables with reference to the valuation report prepared by a qualified independent valuer. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group measures loss allowances for trade receivables and loan receivables using the simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment in according to the accounting policy of the Company. The assessment of the ECL for loan receivables and interest receivables has adopted certain key inputs and assumptions in respect of the ECL assessment, including but not limited to (i) the amount would be recovered from the borrowers; (ii) the future cash flow, if any; and (iii) other key assumptions adopted in the ECL assessment etc.

The Directors are currently reviewing the alternatives to recover the loan and interest receivables, including but not limit to dispose of the loan and interest receivables to third parties or to negotiate loans restructure with the borrowers (collectively referred to as the "Loan Restructuring Plan"). However, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Loan Restructuring Plan has not yet been finalised. In view of this uncertainty, the Directors are unable to reasonably assess the borrowers' ability to repay the debts in the near future. The validity of ECL assessment on loan and interest receivables depends on the outcome of certain factors, including (i) the borrowers' ability to repay the debts; and (ii) the successful of Loan Restructuring Plan.

Based on the independence valuation report, the Group recognised impairment losses of HK$91,862,000 (2019: HK$151,870,000) on the outstanding loan and interest income receivables for the year. The movements in the allowance for impairment in respect of loan receivables and interest income receivables were as follows:

	Impairment loss allowances for		
	Loan receivables	Interest income receivables *(note 12)*	Total
	HK$'000	*HK$'000*	*HK$000*
At 1 January 2019	3,214	—	3,214
Impairment loss recognised during the year	135,874	15,996	151,870
Exchange alignments	(66)	(8)	(74)
At 31 December 2019 and 1 January 2020	**139,022**	**15,988**	**155,010**
Impairment loss recognised during the year	**79,643**	**12,219**	**91,862**
At 31 December 2020	**218,665**	**28,207**	**246,872**

In the opinion of the Directors, the carrying amount of the loan receivables approximate to their fair values due to the short-term maturities.

12. TRADE AND OTHER RECEIVABLES

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Trade receivables arising from license and financial service business	*(i)*	—	795
Trade receivables arising from sales of properties held for sales	*(ii)*	**1,468**	3,230
Investment income receivable arising from financial assets investments			
— Debt Securities, unlisted		**14,953**	34,509
Interest receivable arising from loan receivables	*(iii)*	**4,402**	16,621
Amount due from a non-controlling shareholder of a subsidiary of the Group	*(iv)*	—	4,900
Amount due from a related party	*(v)*	—	110
Other receivables		—	1
		20,823	60,166

	2020			2019		
	Gross amounts	**Impairment loss allowances**	**Carry amounts**	Gross amounts	Impairment loss allowances	Carry amounts
	HK$'000	***HK$'000***	***HK$000***	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables arising from license and financial service business	**—**	**—**	**—**	41,339	(40,544)	795
Trade receivables arising from sales of properties held for sales	**1,468**	**—**	**1,468**	3,432	(202)	3,230
Investment income receivable arising from financial assets investments						
— Convertible bonds, unlisted	**25,787**	**(25,787)**	**—**	25,787	(25,787)	—
— Debt Securities, unlisted	**110,762**	**(95,809)**	**14,953**	110,762	(76,253)	34,509
Interest receivable arising from loan receivables	**32,609**	**(28,207)**	**4,402**	32,609	(15,988)	16,621
Amount due from a non-controlling shareholder of a subsidiary of the Group	**—**	**—**	**—**	4,900	—	4,900
Amount due from a related party	**—**	**—**	**—**	110	—	110
Other receivables	**—**	**—**	**—**	1	—	1
	170,626	**(149,803)**	**20,823**	218,940	(158,774)	60,166

Notes:

(i) Trade receivables arising from license and financial service business

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

	2020	2019
	HK$'000	*HK$'000*
90–365 days	**—**	795

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

(ii) Trade receivables arising from sales of properties held for sales

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

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**1,468**	2,697
90–365 days	**—**	533
	1,468	3,230

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

(iii) Investment income receivable arising from Debt Securities

During the year ended 31 December 2020, based on independence valuation reports, the Group has recognised impairment loss in respect of investment income receivables of HK$19,556,000.

(iv) Interest receivable arising from loan receivables

As at 31 December 2020 and 2019, except for HK$1,487,000 which the Group held collaterals and HK$36,000 was unsecured and not yet overdue, the remaining balances were unsecured and overdue.

(v) Amount due from a non-controlling shareholder of a subsidiary of the Group

The amount was unsecured, interest-free and repayable on demand.

(vi) Amount due from a related party

The amount due from a related party bears interest at 10% per annum and was unsecured and repayable on demand.

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2020** **HK$'000**	2019 *HK$'000*
HK listed equity securities	*(i)*	—	56
Debt Securities, unlisted	*(ii)*	**90,591**	499,849
		90,591	499,905

Notes:

(i) HK listed equity securities

The amount are Hong Kong listed equity securities which are measured at quoted prices in active markets.

(ii) Debt Securities, unlisted

As at 31 December 2020, the Group held the debt securities (the "Debt Securities") through four investment funds which managed by independent general partner/manager and details of which are as follows:

Name of fund	General partner/manager	Investment to the fund	Management fee	Term of investment	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies	Major business of underlying investment	Status	2020	2019
		HK$'million								***HK$'000***	*HK$'000*
Wealth Creation Special Opportunities Fund LP	OBOR Fund Management Limited	100.0	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Baton Investment Limited	Ma Zufeng	Investment, mining investment	(note below)	**17,550**	102,118
Partners Tian Wei Fund	Pearl River Capital Limited, transferred from Partners Investment Management Limited on 29 October 2019	140.0	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Star Keen Investment Limited	Lin Xiaosheng	Investment management	(note below)	**22,827**	136,886
Bison Target Investment SPC — BOCI Fund Income Focused Growth SP	BTS Investment Limited	136.5 (USD17.50)	0.5% per annum of the aggregated commitment	3 years (may extend for another 2 years)	100%	Fen River Capital Limited	Huang Zhengxiong	Real state investment, high-tech investment	(note below)	**24,911**	130,746
Nan Tai Investment LP	Nan Tai Investment Limited	140.0	0.5% per annum of the aggregated commitment	2 years (extended for another 1 year)	100%	Huatune International Group Limited	Qian Baohua	Industrial investment, chemical industry and trading	(note below)	**25,303**	130,099
										90,591	499,849

Note: As at 31 December 2020 and up to the date of approval of these consolidated financial statements, pursuant to the relevant debt securities agreements, the related investment income receivables arising from financial assets investment was overdue and the borrowers committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective debt securities agreements entered into by the unlisted companies and the borrowers. Accordingly, the entire Debt Securities and investment income receivable are repayment on demand.

Details of the movements of the Debt Securities were as follows:

	HK$'000
Carrying values as at 1 January 2019	512,759
Changes in fair value during the year	(12,759)
Exchange alignments	(151)
Carrying values as at 31 December 2019 and 1 January 2020	**499,849**
Changes in fair value during the year	**(409,258)**
Carrying values as at 31 December 2020	**90,591**

As at 31 December 2020, the related investment income receivables relating to the Debt Securities were of HK$110,762,000 (2019: HK$110,762,000), net of allowances of HK$95,809,000 (2019: HK$76,253,000).

The Directors have been undertaking a number of measures to recover the Debt Securities and investment income receivables, including but not limit to dispose of the Debt Securities to third parties or to negotiate debts restructure with the borrowers (collectively referred to as the "Debt Securities Restructuring Plan"). However, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Debt Securities Restructuring Plan has not yet been finalised. Accordingly, the Directors are unable to assess the borrowers' ability to repay the debts in the near future.

The Group recognised a fair value loss on the Debt Securities of approximately HK$409,258,000 (2019: HK$12,759,000) and ECL on investment income receivables of HK$19,556,000 (2019: HK$76,253,000) for the year based on independence valuation reports.

The Directors performed an assessment on the fair value of the Debt Securities with reference to the valuation report prepared by a qualified independent valuer. The fair value valuation and ECL assessment have adopted certain key assumption provided by the management of the Company, including but not limited to the validity of the cash flow projection, the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) etc. The validity of fair value valuation of the Debt Securities and ECL assessment of the investment income receivables depends on the outcome of certain factors, including but not limited to (i) the borrowers' ability to repay the debts; and (ii) the successful of Debt Securities Restructuring Plan.

The management of the Company consider that the information used in the above valuation and assessment represented the best available estimates from the information available despite of lack of the current financial and other information of the borrowers.

The management of the Company consider that the information used in the above valuation and assessment represented the best available estimates.

14. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Construction fee payable *(note)*	**28,733**	28,733
Other payable	**15,132**	10,586
	43,865	39,319

The aging analysis of trade payables at the end of the reporting period, based on invoice date, is as follows:

Over 365 days	**28,733**	28,733

Note: The balances represented outstanding construction fee in dispute.

15. ACCRUALS

	2020	2019
	HK$'000	*HK$'000*
Accrued salaries and bonus	**26,719**	10,239
Accrued interest payables in respect of:	**199,390**	113,295
— Loan from Linshan Limited *(see note 16)*	**3,218**	2,686
— Huarong Loan *(see note 17(i))*	**115,732**	77,853
— RMB Loan *(see note 17(ii))*	**8,271**	3,890
— Senior Notes *(see note 18)*	**72,061**	28,833
— Others	**108**	33
Deposits received	**992**	992
Others	**3,686**	3,417
	230,787	127,943

All the accruals are repayable on demand. As explain in notes 16, 17 and 18, the Group did not make the scheduled interest payment. Other than this, all of the accruals are expected to be settled within one year.

16. LOAN FROM A FORMER SHAREHOLDER

	2020	2019
	HK$'000	*HK$'000*
Loan from a former shareholder, Linshan Limited	**49,598**	49,598

The loan from Linshan Limited ("Linshan") is unsecured and bears interest at the rate of 1% (2019: 1%) per annum.

During the year ended 31 July 2011, a shareholder's loan amounting to approximately HK$40,000,000 was granted to the Group by Corporate King Limited ("Corporate King"), a former corporate substantial shareholders of the Company. Mr. CT Tan, a former Chairman and former Executive Director of the Company is the controlling shareholder of Corporate King.

During the year ended 31 July 2013, an assignment of deed was entered into between Linshan, a former substantial shareholder of the Company, and Corporate King such that the shareholder's loan with accrued interest amounting to approximately HK$49,891,000 as at 31 July 2013 was assigned from Corporate King to Linshan. Linshan is wholly owned by Mr. Shannon Tan Siang-Tau ("Mr. S Tan"), a former Executive Director of the Company and the son of Mr. CT Tan, a former Chairman and former Executive Director of the Company.

The loan from Linshan was due for repayment 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.

Mr. S Tan and Mr. CT Tan were both key members of the management team of the Group's former Tree Plantation Operations in the Philippines, details of which are set out in note 10. The Group has been highly dissatisfied with the performance, behaviour and misrepresentations of this management team, as the Tree Plantation Operations were a total failure and has since been fully written off and abandoned by the Group during the year ended 31 July 2014. On 28 October 2014, a criminal action for misappropriation of certain funds and falsification of documents was filed in the Philippines against Ms. De Guzman, another key member of the management team and the majority equity rights holder of these Tree Plantation Operations. In around May 2016, a warrant for the arrest of Ms. De Guzman was issued by the Regional Trial Court of Makati City. Ms. De Guzman subsequently filed a Motion for Reconsideration to dismiss the complaint raised against her. In June 2016 the Court denied Ms. De Guzman's motion and an arrest warrant was issued against her. Although several attempts have been made to serve the arrest warrant on Ms. De Guzman, none have been successful up to the date these financial statements were approved.

Since then, the Group is contemplating similar measures/actions against Mr. S Tan and Mr. CT Tan, and until that situation has been resolved, the Group has no intention of settling the loan and interest due to Linshan.

On 7 May 2020, Linshan filed in the High Court to demand for settlement of the outstanding loan and accrued interest. Till to 31 December 2020 and up to the approval of these consolidated financial statements, there were no further development of the loan from the former shareholder.

Up to 31 December 2020, the Group's interest expenses payable to Linshan was HK$3,218,000 (2019: HK$2,686,000) (details are set out in note 15).

17. OTHER BORROWINGS

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Other borrowings:			
— Huarong loan	*(i)*	**390,506**	390,506
— RMB Loan	*(ii)*	**28,927**	27,406
— HK$ Loan	*(iii)*	**500**	500
		419,933	418,412

Notes:

(i) Huarong Loan

Pursuant to the Company's announcement dated 7 November 2017, on 7 November 2017, China Huarong International Holdings Limited ("Huarong") entered into a facility agreement (the "Huarong Loan Agreement") with the Company, Long Chang International Group Co., Limited and China Gem Financial Group Limited (China Gem Financial Group Limited is a substantial shareholder of the Company) in relation to a 9.7% per annum five year loan facility in an aggregate principal amount of up to US$60,000,000 (the "Huarong Facility").

The purpose of the Huarong Facility is for funding the general working capital of the Company and its subsidiaries. The borrowers are the Company and Long Chang International Group Co., Limited (both are collectively referred to as the "Borrowers") and the Huarong Facility was secured by corporate guarantee provided by China Gem Financial Group Limited.

On 8 November 2017, the Group had drawn down of US$26,000,000 and the maturity date of the first drawn down loan will be on 7 November 2022, five years subsequent to the drawn down. On 10 November 2017, the Group had drawn down of US$24,000,0000 and the maturity date of the second drawn down loan will be on 9 November 2022, five years subsequent to the drawn down.

As at 31 December 2020, the aggregate loan balance was US$50,000,000 (equivalent to approximately HK$390,506,000) (2019: US$50,000,000, equivalent to approximately HK$390,506,000) (the "Huarong Loan") and the accrued interest payable was HK$115,732,000 (2019: HK$77,853,000) (details are set out in note 15).

Pursuant to the Huarong Loan Agreement, the borrowing is subject to the fulfilment of covenant relating to certain ratio of the Group's financial position ratio which is commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities would become repayable on demand. Further, the Huarong Loan Agreement imposes a covenant that the Borrowers are required to pay the interest in accordance with the schedule as specified in the Huarong Loan Agreement. Otherwise, Huarong has the right to declare the Huarong Facility to be cancelled and/or all or part of outstanding amounts under the Huarong Facility, together with accrued interest and all other sums that would become repayable on demand.

Pursuant to notice issued by Huarong to the Company on 25 September 2019, Huarong transferred the Huarong Loan to its wholly-owned subsidiary, Pure Virtue Enterprises Limited.

Since 2018, the Group did not make the scheduled interest payment. Accordingly, pursuant to the relevant clauses of Huarong Loan Agreement, the Huarong Loan and the accrued interest payment are repayable on demand. Thus, the entire Huarong Loan was classified as current liability as at 31 December 2019 and 2020.

(ii) RMB Loan

On 19 April 2018, 中石百納(深圳)股權投資管理有限公司, a wholly-owned subsidiary of the Company entered into a facility agreement (the "RMB Loan Agreement") with a PRC Entity ("RMB Loan Lender") in relation to a 9% per annum 90 days loan facility in an aggregate principal amount of up to RMB32,000,000 (the "RMB Loan Facility"). RMB Loan Facility was secured by personal guarantee provided by two former directors of the Company.

Pursuant to the first loan extension agreement on 24 July 2018, the maturity of the RMB Loan Facility was extended to 16 December 2018 and thus the interest rate was increased from 9% to 14%. In addition, pursuant to the second extension agreement on 16 December 2018, the maturity of the RMB Loan Facility was further extended to 16 December 2019. However, the Group did not make the scheduled principal and interest payment. Accordingly, pursuant to the relevant clauses of the RMB Loan Agreement and the subsequent extension agreements, the RMB Loan, the accrued interest and the other sums of payable, if any, are repayable on demand.

As at 31 December 2020, the outstanding loan balance was RMB24,500,000 (equivalent to approximately HK$28,927,000) (2019: RMB24,500,000, equivalent to approximately HK$27,406,000) (the "RMB Loan") and the accrued interest payable was HK$8,271,000 (2019: HK$3,890,000) (details are set out in note 15).

(iii) HK$ Loan

Pursuant to the loan facility agreement between Double Management Fund SP Of Forward Fund SPC, a wholly-owned subsidiary of the Company and the general partner of Forward Fund SPC, Leader SP Of Forward Fund SPC, in relating to a loan facility of HK$500,000, the interest rate was 5% per annum from 10 May 2019 to 31 August 2019 and the interest rate was increased to 15% from 1 September 2019.

As at 31 December 2020 and 2019, the outstanding loan balances was HK$500,000, which is unsecured and repayable on demand.

As at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Group has not received any requests from the lenders of the Huarong Loan and RMB Loan to settle any outstanding amounts due to them. The management of the Company is ongoing to negotiate and convince the lenders of the Huarong Loan and RMB Loan not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the lenders have any current intention to exercise their right to demand immediate repayment thereon.

18. SENIOR NOTES

	2020	2019
	HK$'000	*HK$'000*
Senior Notes	**179,967**	179,967

Pursuant to the Company's announcements on 3 November 2017 and 6 November 2017, the Company, as the note issuer, entered into a note purchase agreement (the "Senior Note Agreement") with Prosper Talent Limited (the "Investor"), a wholly-owned subsidiary of CCB International (Holdings) Limited in relation to two-year notes in an aggregate principal amount of up to HK$180,000,000 (the "Senior Notes"). The purpose of the Senior Notes is for funding the general working capital of the Company and its subsidiaries and project investments. The Senior Notes are repayable on the maturity date falling immediately before the second anniversary of the date of issue of the Senior Notes.

Pursuant to terms and conditions of the Senior Notes Agreement, China Gem Financial Group Limited ("CG Financial"), a substantial shareholder of the Company, is required to charge certain ordinary shares of the Company in favour of the Investor as security for the Senior Notes.

On 6 November 2017, an 8% per annum two-year note in the principal amount of HK$90,000,000 was issued to the Investor with the maturity date on 5 November 2019. On 5 December 2017, the Company further issued an 8% per annum two-year note in the principal amount of HK$90,000,000 to the Investor with the maturity date on 4 December 2019.

In view of the Group did not make the scheduled principal and interest payment and accordingly, pursuant to the relevant clauses of the Senior Note Agreement, the Senior Notes and the related accrued interest are repayable on demand.

As at 31 December 2020, the outstanding Senior Notes balances were HK$179,967,000 (2019: HK$179,967,000) and the accrued interest payable was HK$72,061,000 (2019: HK$28,833,000) (details are set out in note 15).

As at 31 December 2020 and up to the date of approval of these consolidated financial statements, the Group has not received any requests from the Investor of the Senior Notes to settle any outstanding amounts due to the Investor. The management of the Company is ongoing to negotiate and convince the Investor of the Senior Notes not to exercise its contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the Directors, there is no indication that the Investor has any current intention to exercise its right to demand immediate repayment thereon.

19. LEASES

Nature of leasing activities (in the capacity as lessee)

During the year ended 31 December 2019, the Group leased four properties in Hong Kong which the payments were fixed over the lease terms. One of the leases was terminated before 31 December 2019 and was classified as short-term lease.

During the year ended 31 December 2020, the Group leased three properties in Hong Kong which the payments were fixed over the lease terms. All of the leases were either expired or terminated before 31 December 2020.

RIGHT-OF-USE ASSETS

	2020	2020
	HK$'000	*HK$'000*
Ownership interests in leasehold land and buildings, carried at fair value with remaining lease term of:		
— 50 years or more	**590**	340
Other properties leased for own use, carried at depreciated cost	**—**	5,271
Ownership interests in leasehold investment property, carried at fair value, with remaining lease term of 50 years or more	**244,845**	231,487

LEASE LIABILITIES

Future lease payments are due as follows:

As at 31 December 2019	Minimum lease payments *HK$'000*	Interest *HK$'000*	Present value *HK$000*
Not later than one year	4,469	420	4,049
Later than one year and not later than two years	1,704	147	1,557
Later than two years and not later than five years	600	21	579
	6,773	588	6,185

Operating leases — lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor. The Group's investment property is also leased to a number of tenants for varying terms. The sub-lease rental income during the year ended 31 December 2020 was HK$2,776,000 (2019: HK$2,551,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Within 1 year	**493**	1,230
After 1 year but within 2 years	**360**	1,064
After 2 years but within 3 years	**312**	986
After 3 years but within 4 years	**360**	866
After 4 years but within 5 years	**344**	740
After 5 years	**99**	14
	1,968	4,900

20. DIVIDEND

No dividend has been declared or proposed by the Directors in respect of the year ended 31 December 2020 (2019: nil).

21. EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

(a) Acquisition of a subsidiary

On 3 February 2021, the Group entered into a share transfer agreement and agreed to acquire 60% equity interest in Aohan Banner Ruijia Building Material Co., Limited ("Aohan") at a consideration of RMB51.6 million (equivalent to approximately HK$61.9 million). Aohan is principally engaged in the manufacturing of ready-mixed concrete and sales of concrete; sales of mineral products; investment in mineral resource projects; road goods transportation; and the research and development and promotion of technologies of new building materials.

(b) Winding up petition

On 31 March 2021, the Company received a petition from Abundance Limited (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 138 of 2021 that the Company may be wound up by the High Court on the ground that the Company could not reach a consensus with the Petitioner on the rental fee. The winding up petition will be heard before the High Court at 10: 00 a.m. on 7 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded revenue from operations of approximately HK$19,985,000 (2019: approximately HK$103,938,000), representing a year-on-year decrease of 81%.

Other income, net

Other income of approximately HK$65,000 (2019: HK$1,274,000).

Administrative expenses

Administrative expenses decreased by approximately 31% to approximately HK$28,987,000 (2019: approximately HK$41,954,000). The decrease was mainly due to a decrease in staff costs and general expenses.

Finance costs

Finance costs increased from approximately HK$57,743,000 for the year ended 31 December 2019 to HK$92,431,000 for the year ended 31 December 2020. The increase was mainly due to increase in interest expenses from senior notes.

Income tax credits (expenses)

For the year ended 31 December 2020, income tax credits of the Group amounted to approximately HK$152,000 (2019: income tax expenses of approximately HK$11,352,000). All income tax were deferred tax which arose from the Land Appreciation Tax of the PRC subsidiaries.

Net loss for the year

For the year ended 31 December 2020, the Group recorded net loss attributable to owners of the Company amounted to approximately HK$632,240,000 (2019: approximately HK$402,514,000). The net loss is mainly due to (i) significant fair value losses on financial assets through profit or loss amounting to approximately HK$409,314,000 during the year ended 31 December 2020 (2019: approximately HK$137,195,000) and (ii) the expected credit loss on financial assets amounting to approximately HK$117,022,000 (2019: approximately HK$279,619,000).

Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: nil).

II. BUSINESS REVIEW

Business review on each segment are as follows:

i) Money lending

The Group has provided a wide range of loans. Customers are mainly from corporations who have been carefully evaluated by the Group on their repayment capabilities and securities pledged. As set out in this announcement in view of the uncertainty of the recoverability of the amount, the Directors recognised impairment on the loan receivables amounting to HK$79,643,000 during the year ended 31 December 2020.

ii) License and Financial Service Business

During the year ended 31 December 2020, the Group provided administrative services to other investment managers of funds domiciled in Cayman Island. The license and financial business has generated revenue of approximately HK$Nil (2019: approximately HK$1,323,000), 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 year ended 31 December 2020. The nil revenue from the license and financial business in current year was mainly due to the service agreement ended in June 2019 and no further agreement signed.

iii) Strategic financial investment

In order to increase the efficiency of the use of the Company's funds and match the resources with the business, the Group seizes opportunity in fund investment to build a diversified and complementary portfolio of businesses, investment and various types of assets through the subscription of private equity funds by leveraging the professional advantages, talent advantages and management advantages of the fund companies to spread risks, increase return on investment and achieve long-term capital growth for shareholders.

In respect of fund investment policies, the Group selects teams with asset management experience and sound performance as fund managers, focusing on debt investment, so as to obtain fixed income. The Group mainly targets real estate, energy and high-tech industries, with a view to achieve the expected return on investment. Considering the balance between return and risks of holding funds, the Group's investment in individual fund is limited to no more than HK$150 million, while the total size of fund investment is determined according to the financial condition and investment plan of the Company. The funds invested have an investment period of two years or more.

As set out in this announcement, the Directors have taken a member of measures to recover the Debt securities. However, up to the date of this announcement. the Company is still unable to recover the amount. As a result, the Director recognised the fair value loss of HK$409,314,000 on the investments.

iv) Property development

Revenue in this segment was derived from leasing of properties, building management fee income and sales of residential units in Shunde, the PRC. During the year ended 31 December 2020, the Group recorded the rental, management and related fee income and sales of properties of approximately HK$19,985,000 (2019: approximately HK$8,864,000). The segment profit for the year ended 31 December 2020 was approximately HK$18,359,000 (2019: approximately HK$25,415,000). The reason of a decrease in profit was mainly due to fair value losses on investment properties amounted to approximately HK$731,000 for the year ended 31 December 2020 (2019: fair value gains of approximately HK$23,890,000), partially off-set by increase in profit from sales of property in the PRC in current year.

III. FUTURE PLANS

Looking forward, the Group will continue to focus on financial investment and industrial investment. In terms of financial investment, the Group will continue to conduct money lending, license and financial service business and fund investment business, while gradually carrying out special opportunity real estate and special opportunity debt business. In terms of industrial investment, in addition to the existing property development business, the Group will pursue market opportunities in Internet plus education, construction materials and mining investment including gold mine, cooper mine and lead-zinc mine. 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 the 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 the 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. However, due to the uncertainty on the recoverability of the loans and interest income receivables, the Director decided to cease the business.

ii) License and Financial Service Business

For license business, 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 and 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 experience and expertise of the management team and general partners in its investment funds. Due to the substantial loss suffered from the business, the Directors decided to cease the business.

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.

v) Special opportunity real estate and special opportunity debt business

In 2020, the Company made some attempts in this field without substantial progress. The Group could make flexible use of various disposal methods of non-performing assets, including debt restructuring, securitisation, 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 revitalise non-performing assets while achieving good investment returns for investors. The Company will utilise its expertise 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.

vi) Industrial Investment

The Company will strengthen its management on the existing investment funds and money lending business so as to develop appropriate recovery plans and proposals and strive to recover investment funds and eliminate existing risks. Meanwhile, the management has been seeking for quality investment projects and has obtained certain potential projects and corresponding investment targets in the fields of Internet plus education, construction materials, and mining investment including gold mine, copper mine and lead-zinc mine. The proportion of industrial investments will be increased through asset swaps, direct investments, and equity swaps.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the Group had total cash and cash equivalents amounted to approximately HK$5,000 (2019: approximately HK$1,439,000), while net current liabilities amounted to approximately HK$743,127,000 (2019: HK$104,737,000). The current ratio as a ratio of current assets to current liabilities was 0.20 times (2019: 0.87 times). The decrease in the current ratio is mainly due to (i) significant impairment losses on loan & interest receivables and financial assets at fair value through profit or loss.

As at 31 December 2020, total debts (including loans from a former shareholder, other borrowings and senior notes) of the Group amounted to approximately HK$649,498,000 (2019: approximately HK$647,977,000). Of this amount, 100% is repayable within one year (2019: 100%). All debts are charged at fixed interest rates, denominated in the Hong Kong dollars, US dollars and Renminbi.

PLEDGE OF ASSETS

As at 31 December 2020, none of the Group's asset was pledged or charged (2019: Nil).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed herein, there were no material acquisitions or disposals of subsidiaries and joint ventures during the year ended 31 December 2020.

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars, US dollars and Renminbi. For the year ended 31 December 2020, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 December 2020 (2019: Nil).

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2020 (2019: Nil).

EMPLOYEES

As at 31 December 2020, the Group had 26 employees in Hong Kong and China (2019: 28) and the total staff costs amounted to approximately HK$21,119,000 for the year ended 31 December 2020 (2019: approximately HK$28,076,000). Remuneration package of the employees includes monthly salary and medical claims. The remuneration policies are formulated on the basis of their performance, duties and responsibilities with the Company and the market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforcing the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to establish and maintain high standards of corporate governance practices and procedures to enhance shareholders' interest and promote sustainable development. The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance.

Throughout the year ended 31 December 2020, the Company has complied with the code provisions of the CG Code, except the following deviations:

Code Provision A.2.1

As at 31 December 2020, the role of the chief executive of the Company was performed by Mr. Chen Jie who possesses essential leadership skills and has extensive knowledge in the business of the Group.

Although the appointment of the chairman of the Board had been outstanding, with the support of the company secretary of the Company, the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis.

Code Provision A.5.1

Ms. Chan Chu Hoi, Mr. Su Xihe and Mr. Huang Yu Peng resigned as independent non-executive Directors on 17 July 2020, 23 October 2020 and 11 January 2021 respectively (collectively the "Resignations"). Following the Resignations, the nomination committee of the Company (the "Nomination Committee") had no member which deviated from code provision A.5.1 of the CG Code, which the Nomination Committee should be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

NON-COMPLIANCE WITH RULES 3.10, 3.21 AND 3.25 OF THE LISTING RULES

Following the Resignations, the Board comprised no independent non-executive Director, which therefore fell below the minimum requirements under Rule 3.10 of the Listing Rules. Mr. Warren Lee Primhak ("Mr. Primhak") and Mr. Li Haibo ("Mr. Li") were appointed as independent non-executive Directors of the Company on 19 January 2021 and 1 April 2021 respectively (collectively the "Appointments"). Following the Appointments, the Board has only two independent non-executive Directors and neither Mr. Primhak nor Mr. Li is a professional in accounting or related financial management expertise, which therefore still falls below the minimum requirements under Rule 3.10 of the Listing Rules.

In addition, the number of member of each of the audit committee of the Company (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") of the Company decreased from three to zero after the Resignations, which fell below the requirements under Rules 3.21 and 3.25 of the Listing Rules.

Following the appointment of Mr. Kan Chi Ming, Mr. Primhak and Mr. Li, the Audit Committee comprises three members but without any independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, which therefore still falling below the requirements under Rule 3.21 of the Listing Rules.

Following the appointment of Mr. Yan Ping, Mr. Primhak and Mr. Li, the Company re-complied with Rule 3.25 of the Listing Rules.

Pursuant to Rule 3.11 of the Listing Rules, the Company should appoint additional independent non-executive Directors within three months after failing to meet the requirements under Rule 3.10 of the Listing Rules. Moreover, Rule 3.23 of the Listing Rules requires the Company to appoint additional appropriate members to the Audit Committee within three months after failing to meet the requirements under Rule 3.21 of the Listing Rules. However, the Company was unable to identify and appoint suitable candidates to fill the vacancies within three months after the Resignations. The Company has been endeavouring to identify suitable candidates to fill the vacancy as soon as practicable.

EVENTS AFTER REPORTING PERIOD

Events after reporting period are disclosed in note 21 to the financial information of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2020. The Company also adopted a code of conduct governing securities transactions by its employees who may access to inside information relating to the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee currently comprises one non-executive Director, namely Mr. Kan Chi Ming, and two independent non-executive Directors, namely Mr. Warren Primhak and Mr. Li Haibo.

The audited consolidated results of the Group for the year ended 31 December 2020 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.

SCOPE OF WORK OF EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditors, Prism CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Prism CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Multiple uncertainties relating to going concern (the "Audit Qualification I")

As described in note 3 to the consolidated financial statements, during the year ended 31 December 2020, the Group reported a net loss attributable to the owners of the Company of HK$632,240,000. In addition, as at 31 December 2020, the Group had net current liabilities of HK$743,127,000.

Further, as explained in notes 17 and 18, as at 31 December 2020 and up to the date of approval of these consolidated financial statements, certain of the Group's borrowings were overdue and the Group committed events of default and/or break of covenants and restriction terms and conditions stipulated in the respective borrowings and financing agreements entered into by the Group, the lenders and investors. Though the Group has not received any requests from the major lenders and investors to settle outstanding amounts due to them, the management of the Company is ongoing to negotiate and convince the lenders and investors not to exercise their contractual rights to request the Group for immediate repayment of the principal amounts and any accrued interest. Based on the latest information available to the Group, in the opinion of the directors of the Company (the "Directors"), there is no indication that the lenders and investors have any current intention to exercise their right to demand immediate repayment thereon.

These conditions, together with other matters as described in note 3 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including but not limited to the following:

(i) Successful in the finalisation of the Finance Reorganisation (as defined in note 3) with the lenders and investors;

(ii) Successful of the Additional Funding Plan (as defined in note 3) in obtaining of additional new sources of financing as and when needed;

(iii) Successful maintenance of relationship with the investors and lenders of the Group, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis; and

(iv) Successful in the Group's Business and Operation Restructuring Plan (as defined in note 3).

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. Opening balance of the bases for disclaimer of opinion to the consolidated financial statements for the year ended 31 December 2019 (the "Audit Qualification II")

Loan and interest receivables

As disclosed in notes 11 and 12 to the consolidated financial statements, during the year ended 31 December 2020, the Group based on the independent valuation report and recognised impairment losses in respect of loan receivables of HK$79,643,000 and interest receivables of HK$12,219,000 which is included in trade and other receivables respectively.

Debt securities

As disclosed in notes 12 and 13 to the consolidated financial statements, as at 31 December 2020, the Group had debt securities issued by unlisted companies (the "Debt Securities") that are financial assets measured at fair value through profit or loss of HK$90,591,000 and recognised a fair value loss on the Debt Securities of HK$409,258,000 during the year based on the independent valuation report. During the year ended 31 December 2020, the Group has recognised impairment loss in respect of investment income receivables of HK$19,556,000.

We are unable to obtain sufficient appropriate audit evidence on the balances as at 31 December 2019 and the losses recognised for the year ended 31 December 2020. Any adjustments found to be necessary in respect of the opening balances might have significant effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

3. Insufficient audit evidence in respect of the opening balance of loan from a former shareholder (the "Audit Qualification III")

As disclosed in note 16 to the consolidated financial statements, the Group has a loan from a former shareholder, Linshan Limited ("Linshan") (the "Linshan Loan"). As at 31 December 2019, the carrying amounts of the Linshan Loan were of HK$49,598,000 and the related accrued interest were of HK$2,686,000. We were unable to obtain sufficient appropriate audit evidence regarding the opening balance of the Linshan Loan and the related accrued interest because we were unable to carry out effective confirmation procedures in relation to the carrying values of the Linshan Loan and the related accrued interest as at 31 December 2019 for the purpose of our audit.

There was no satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the opening balances of the Linshan Loan and accrued interest have been properly accounted for in the consolidated financial statements. Any adjustments that might have been found necessary may have a significant effect on the Group's net assets at 31 December 2019 and its financial performance and cash flows for the year ended 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 10 to the consolidated financial statements which states that the Group has made prior year adjustments to financial assets at fair value through other comprehensive income, which have no financial impact to the comparative figures for the year ended 31 December 2019 and the opening balance as at 1 January 2020.

VIEW OF THE MANAGEMENT OF THE COMPANY AND THE AUDIT COMMITTEE OF THE COMPANY

The management of the Company and the audit committee of the Company have given careful consideration to the Disclaimer Opinion and the basis of the Disclaimer opinion and had ongoing discussion with Prism CPA Limited when preparing the Group's consolidated financial statements. The management of the Company and the audit committee of the Company discussed the Audit Qualifications and agreed with the view of Prism CPA Limited. The following is the view of the management of the Company and the audit committee of the Company in relation to the Disclaimer Opinion.

In relation to Audit Qualification I

In view of the validity of the going concern basis when preparing the financial statements of the Company, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Accordingly, the Directors have been undertaking a number of measures to improve the Group's liability and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

(i) The Group is now actively participating in the negotiations in respect of a potential restructuring of the Company's borrowings with its lenders and investors and is still negotiating and convincing the Group's investors and lenders such that no action will be taken by the relevant investors and lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms (the "Finance Reorganisation").

(ii) The Group is still identifying various options for raising of additional new sources of financing from the shareholders, related parties and the third parties.

(iii) The Group is still communicating with the Group's investors and lenders of the Group to maintain the relationship with them, in particular those in relation to the Group's existing businesses and operations such that no actions will be taken by those investors and lenders against the Group should the Group not be able to meet all the payment obligations on a timely basis.

(iv) The Group continue to take active measures to control operation and administrative costs through various channels, including but not limited to (i) having human resources optimisation and adjustment, (ii) reorganising the structure to each segment and maintaining close communication with customers, creditors, investors, lenders and banks etc., (iii) committing to soliciting for new customers to support the sustainable development of principle business of the Group; and (iv) containment of capital expenditures etc., (the "Business and Operation Restructuring Plan").

The Directors have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of not less than twelve months from 31 December 2020. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

In relation to Audit Qualification II relating to loans receivables

As disclosed in the financial statements of the Company for the year ended 31 December 2019 and this announcement, the loan receivables and relating loan interest receivables were related to a portfolio of customers and were managed by one of the subsidiaries of the Company (the "Money Lending Business"). The total net book value of principal amounting to approximately HK$232,807,000 was recorded by the Company as at 31 December 2019, principals of which were lent out before 2019 and were all past due and no repayments of any principals and interests were recorded. As disclosed in the announcements dated 19 January 2021, 27 January 2021, 24 February 2021 and 1 April 2021, all of the existing members of the board of directors of the Company were appointed in 2021 and had not involved in the operations of the Money Lending Business. Since their appointments, the board has put its best endeavors to collect the loans receivables and relating interest receivables. Unfortunately, the management of the Company were unable to recover the amounts and subsequently the board of directors has decided to cease the Money Lending Business. Currently, the board has been seeking legal advice in relation to the recoverability of the loan receivables. Impairment loss of approximately HK$79,643,000 and approximately HK$12,219,000 in relation to the loan receivables and interests receivables were recognised respectively based on independent valuation report. Subsequent to the cessation of the Money Lending Business, the Money Lending Business will no longer have significant impacts on the financial statements of the Company for the year ended 31 December 2021 and the Money Lending Business will be derecognized from the Company's financial statements. Except for the opening balances of the Group for the year ended 31 December 2020 (i.e. the financial information as at 1 January 2020), the consequential effect on profit or loss, and the comparative figures for the year ended 31 December 2019, the Audit Qualification II in relation to the loans receivables and relating loan interest receivables have been removed and the management of the Company and the audit committee of the Company considered the audit matter as set out in the Audit Qualification II has been fully addressed.

In relation to Audit Qualification II relating to debts securities

As set out in the financial statements of the Company for the year ended 31 December 2019 and this announcement, the Investments and relating investment income (the "Strategic Financial Investment Business") were related to a series of funds investments which were invested by the Company in 2017, details of which have been set out in the financial statements of the Company for the years ended 31 December 2017, 2018, 2019 and this announcement. As disclosed in the announcements dated 19 January 2021, 27 January 2021, 24 February 2021 and 1 April 2021, all of the existing members of the board of directors of the Company were appointed in 2021 and had not involved in the operations of the Strategic Financial Investment Business. Since the inceptions of the Strategic Financial Investment Business, the Company had not received any actual return from the Strategic Financial Investment Business. Unfortunately, the management of the Company were unable to recover the amounts and subsequently the board of directors has decided to cease the Strategic Financial Investment Business. Currently, the board has been seeking legal advice in relation to the recoverability of the investments and has recognised fair value loss on the amount of the investments amounting to approximately HK$409,258,000 and impaired relating investment income receivables of approximately HK$19,556,000 respectively during the year ended 31 December 2020. Subsequent to the cessation of the Strategic Financial Investment Business, the Strategic Financial Investment Business will no longer have significant impacts on the financial statements of the Company for the year ended 31 December 2021 and the Strategic Financial Investment Business will be derecognized from the Company's financial statements. Except for the opening balances of the Group for the year ended 31 December 2020 (i.e. the financial information as at 1 January 2020), the consequential effect on the profit or loss, and the comparative figures for the year ended 31 December 2019, the Audit Qualification II in relation to debts securities and relating investment income have been removed and the management of the Company and the audit committee of the Company considered the audit matter as set out in the Audit Qualification II has been fully addressed.

In relation to Audit Qualification III

As set out in the financial statements of the Company for the year ended 31 December 2019 and this announcement, the loan from a former shareholder was relating to a loan due to Linshan Limited with the amount of approximately HK$49,598,000 (the "Loan"). Details of the Loan and the disputes between the Company and Linshan Limited and its beneficial owners were set out in note 30 to the financial statements of the Company for the year ended 31 December 2019 (the "Situation"). Although the management of the Company is of the opinion that the Company had no intention to settle the Loan until the Situation is resolved, the Company has made full provision for the Loan amounting to approximately HK$49,598,000 and relating interest expenses amounting to approximately HK$3,218,000 were accrued accordingly. On 7 May 2020, the Company and certain of its subsidiaries received a writ in the High Court of Hong Kong from Linshan Limited with the claims of HK$53,344,380, which were consistent with the provision made by the Company. As set out in Audit Qualification III, the disclaimer opinion for the year ended 31 December 2020 has been removed and the Audit Qualification III was solely related to the opening balances of the Loan and the relating interests (i.e. the financial information as at 1 January 2020), the management of the Company and the audit committee of the Company considered that the audit matter as set out in the Audit Qualification III has been fully addressed.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on both the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.1191hk.com. The annual report of the Company for the year ended 31 December 2020 containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to express my sincere appreciation to our shareholders for the trust and support. I would also like to express my gratitude to our management team and all staff for their dedication and contributions in the execution of the Group's strategies and operations during the year.

By order of the Board
China Gem Holdings Limited
Zhong Ling
Chairman of the Board

Hong Kong, 7 May 2021

As at the date of this announcement, the Board comprises Mr. Zhong Ling and Mr. Yan Ping as executive Directors, Mr. Kan Chi Ming as non-executive Director and Mr. Warren Lee Primhak and Mr. Li Haibo as independent non-executive Directors.

* *For identification purpose only*