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China Gem Holdings Limited

中國中石控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

UNAUDITED 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 unaudited 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

	<i>Notes</i>	2020 HK\$’000 (Unaudited)	2019 <i>HK\$’000</i> (Audited)
Revenue	4	19,985	103,938
Other income, net		65	1,274
Administrative expenses		(10,787)	(41,954)
Other operating expenses		—	(2,754)
Fair value gains on investment properties		—	22,890
Fair value losses on financial assets at fair value through profit or loss		(125,750)	(137,195)
Expected credit loss on financial assets		(147,285)	(279,619)
Finance costs		(63,226)	(57,743)
Loss before income tax	5	(326,998)	(391,163)
Income tax expenses	6	(979)	(11,352)
Loss for the year		(327,977)	(402,515)
		HK cents	HK cents
Loss per share:			
Basic and diluted	7	(7.7)	(9.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		3,047	9,121
Investment properties		231,487	231,487
Intangible assets		—	—
Financial asset at fair value through other comprehensive income		—	—
Total non-current assets		234,534	240,608
Current assets			
Properties held for sale		1,671	5,629
Properties under development		31,431	31,431
Loan receivables	8	50,572	113,770
Trade and other receivables	9	30,807	60,166
Deposits and prepayments		2,375	2,211
Financial assets at fair value through profit or loss		374,155	499,905
Cash and cash equivalents		5	1,439
Total current assets		491,016	714,551
Current liabilities			
Trade and other payables	10	64,269	39,319
Accruals		195,692	127,943
Lease liabilities		—	4,049
Loan from a former shareholder		49,598	49,598
Other borrowings		427,784	418,412
Senior notes		179,967	179,967
Total current liabilities		917,310	819,288
Net current liabilities		(426,294)	(104,737)
Total assets less current liabilities		(191,760)	135,871

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	—	2,136
Deferred tax liabilities	<u>40,714</u>	<u>37,405</u>
Total non-current liabilities	<u>40,714</u>	<u>39,541</u>
NET (LIABILITIES)/ASSETS	<u>(232,474)</u>	<u>96,330</u>
Capital and reserves		
Share capital	42,500	42,500
Reserves	<u>(279,866)</u>	<u>48,939</u>
Equity attributable to owners of the Company	<u>(237,366)</u>	91,439
Non-controlling interests	<u>4,892</u>	<u>4,891</u>
TOTAL (DEFICIT)/EQUITY	<u>(232,474)</u>	<u>96,330</u>

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. BASIS OF PREPARATION

The financial statements are presented in Hong Kong dollar (“HK\$”), which is the Company’s functional currency. All financial information presented in Hong Kong dollar are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated. The financial statements have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and Hong Kong Financial Reporting Standards (“HKFRSs”). The financial statements have been prepared under the historical cost convention except for certain properties, intangible assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. The preparation of financial statements in conformity with HKFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND REVISED STANDARDS

In the current financial year, the Group has adopted all the new and revised HKFRSs and Hong Kong Financial Reporting Interpretations Committee Interpretations (“IFRIC HK”) that are relevant to its operations and effective for the current financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective HKFRSs and IFRIC HK. The adoption of these new and revised HKFRSs and IFRIC HK did not have any material effect on the financial results or position of the Group. New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

4. REVENUE AND 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Reporting segment revenue	<u>—</u>	<u>25,103</u>	<u>—</u>	<u>1,323</u>	<u>—</u>	<u>68,648</u>	<u>19,985</u>	<u>8,864</u>	<u>19,985</u>	<u>103,938</u>
Results										
Segment results	<u>(3,887)</u>	<u>(133,988)</u>	<u>(958)</u>	<u>(1,075)</u>	<u>(300)</u>	<u>(162,200)</u>	<u>18,359</u>	<u>25,415</u>	<u>13,214</u>	<u>(271,848)</u>
Unallocated corporate expenses									<u>(192,899)</u>	<u>(61,572)</u>
Finance cost									<u>(63,226)</u>	<u>(57,743)</u>
Loss before income tax									<u>(242,911)</u>	<u>(391,163)</u>
Other segment information										
Fair value gains on investment properties	—	—	—	—	—	—	—	22,890	—	22,890
Depreciation of property, plant and equipment	<u>(3,129)</u>	<u>(10)</u>	—	—	—	—	<u>(253)</u>	<u>(278)</u>	<u>(3,382)</u>	<u>(4,835)</u>
Fair value losses on financial assets at fair value through profit or loss	—	<u>(7)</u>	—	—	<u>(125,750)</u>	<u>(137,188)</u>	—	—	<u>(125,750)</u>	<u>(137,195)</u>
Impairment loss on loan receivables	<u>(63,198)</u>	<u>(135,874)</u>	—	—	—	—	—	—	<u>(63,198)</u>	<u>(135,874)</u>
Impairment loss on trade and other receivables	<u>(13,352)</u>	<u>(15,996)</u>	—	—	<u>(70,735)</u>	<u>(127,547)</u>	—	<u>(202)</u>	<u>(84,087)</u>	<u>(143,745)</u>

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) 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 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Revenue from external customers		
— PRC	19,985	10,408
— Hong Kong	—	93,530
	19,985	103,938

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Cost of sales and services recognised as expenses	3,958	2,754
Staff costs	3,018	28,076
Auditor's remuneration	780	780
Losses on disposals of property, plant and equipment	—	138
Impairment loss on loan receivables	63,198	135,874
Impairment loss on trade and other receivables	84,087	143,745

6. INCOME TAX EXPENSES

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

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Current tax		
— Tax for the year	—	—
Deferred tax	979	11,352
Income tax expenses	<u>979</u>	<u>11,352</u>

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 Profit 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.

7. 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 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(327,976)</u>	<u>(402,514)</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>4,250,013,330</u>	<u>4,199,456,946</u>

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

During the year ended 31 December 2020, 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.

8. LOAN RECEIVABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Loan receivables	252,792	252,792
Less: Impairment allowances	<u>(202,220)</u>	<u>(139,022)</u>
	<u><u>50,572</u></u>	<u><u>113,770</u></u>

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

Certain loan receivables are secured by collaterals or personal guarantee, bear interest ranging from 10%–15% (2019: 10%–15%) per annum.

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

Loan receivables, net of impairment losses, that are denominated in the following currencies:

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Hong Kong Dollars ("HK\$")	41,135	101,354
Renminbi ("RMB")	<u>9,437</u>	<u>12,416</u>
	<u><u>50,572</u></u>	<u><u>113,770</u></u>

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 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Current	—	—
Less than 1 month	—	—
1 to 3 months	—	—
More than 3 months	<u>50,572</u>	<u>113,770</u>
	<u><u>50,572</u></u>	<u><u>113,770</u></u>

9. TRADE AND OTHER RECEIVABLES

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

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
0–90 days	1,468	2,697
90–365 days	—	1,328
Over 365 days	—	—
	<u>1,468</u>	<u>4,025</u>

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

10. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Construction fee payable (<i>note (i)</i>)	28,733	28,733
Other payable	35,536	10,586
	<u>64,269</u>	<u>39,319</u>

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

Over 365 days	<u>28,733</u>	<u>28,733</u>
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Note:

(i) The balances represented outstanding construction fee in dispute.

11. DIVIDEND

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

12. EVENTS SUBSEQUENT TO THE END OF THE REPORTING DATE

Major Transaction

On 3 February 2021, Zhongshi Baina (Shenzhen) Equity Management Co., Limited* (中石百納(深圳)股權投資管理有限公司), a wholly-owned subsidiary of the Group entered into a share transfer agreement with Mr. Feng Li, holding 95% equity interest in Aohan Banner Ruijia Building Material Co., Limited* (the “Share Transfer Agreement”), pursuant to which Zhongshi Baina (Shenzhen) Equity Management Co., Limited* agreed to acquire 60% equity interest in Aohan Banner Ruijia Building Material Co., Limited*. The total amount of the Consideration was RMB51.6 million (equivalent to approximately HK\$61.9 million). Details of the transaction were set out in the announcement of the Company dated 3 February 2021. Directors believe that it is for the benefit of the Group to enter into the Share Transfer Agreement because it was made with a view to strengthening the principal business and further optimising the business structure of the Group, so as to meet the needs for the long-term development of the Group. Save as disclosed above, there is no major transaction undertaken by the Company during the Latest Practicable Date and up to the date of this announcement which is required to be disclosed pursuant to Chapter 14 of the Listing Rules.

Save as disclosed above, the Group does not have other significant subsequent events.

* *For identification purpose only*

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 (losses), net

Other income of approximately HK\$65,000 (2019: other losses approximately HK\$1,274,000) was mainly attributable to net foreign exchange gain arising from appreciation of Renminbi for the year ended 31 December 2020.

Administrative expenses

Administrative expenses decreased by approximately 74% to approximately HK\$10,787,000 (2019: approximately HK\$41,954,000). The decrease was mainly due to a decrease in staff cost.

Finance costs

Finance costs increased from approximately HK\$57,743,000 for the year ended 31 December 2019 to HK\$63,226,000 for the year ended 31 December 2020.

Income tax expenses

For the year ended 31 December 2020, income tax expenses of the Group amounted to approximately HK\$979,000 (2019: approximately HK\$11,352,000). All income tax expenses 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\$327,977,000 (2019: approximately HK\$402,514,000). The net loss is mainly due to (i) significant fair value loss on financial assets through profit or loss amounting to approximately HK\$125,750,000 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\$147,285,000 (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 with gross loan amount of approximately HK\$252,792,000 as at 31 December 2020 (2019: approximately HK\$252,792,000). Interest rates ranged from 10% to 15% (2019: 10% to 15%). The Group almost maintained no change in the money lending sector during the year ended 31 December 2020. Customers are mainly from corporations who have been carefully evaluated by the Group on their repayment capabilities and securities pledged.

ii) License and Financial Service Business

During the year ended 31 December 2020, the Group has ceased the operations of providing 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.

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.

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).

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. Besides improving our credit policies, we will continue to optimise the overall credit quality of our loan portfolios.

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. Meanwhile, the scale of strategic financial investment will be reduced gradually.

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\$426,294,000 (2019: net current assets approximately HK\$104,737,000). The current ratio as a ratio of current assets to current liabilities was 0.54 times (2019: 0.87 times).

As at 31 December 2020, total debts (including loans from shareholders, other borrowings and senior notes) of the Group amounted to approximately HK\$657,349,000 (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 announcement. 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.

DISPOSAL OF CERTAIN LOAN RECEIVABLES AND LOAN INTEREST INCOME RECEIVABLES

On 26 March 2020, Professional Wealth Creation Limited (“Professional Wealth”, wholly-owned subsidiary of the Company) and Greater Bay Development (Hong Kong) Limited (the “Purchaser”) entered into a debt assignment agreement, pursuant to which Professional Wealth agreed to sell, and the Purchaser agreed to purchase certain of loan receivables and loan interest income receivable at a consideration of HK\$51,470,000, which shall be settled by the Purchaser in a lump sum or by installments before 26 March 2021. Please refer to the announcement of the Company dated 26 March 2020 for details.

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).

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. On 19 January 2021, 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 12 to the Consolidated Financial Statements.

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 OF UNAUDITED FINAL RESULTS

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 Lee Chi Ming, and two independent non-executive Directors, namely Mr. Warren Primhak and Mr. Li Haibo.

It is expected that additional time will be required for Prism CPA Limited (“Prism”) to complete the audit process in respect of the final results for the year ended 31 December 2020 due to the fact that Prism was appointed as the auditors of the Company (the “Auditors”) only on 30 March 2021. It will require additional time to review supporting documents and to complete the relevant auditing process and review work.

For the reason explained above, the unaudited final results contained herein have not yet been agreed with the Auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed the accounting principles, the CG Code as adopted by the Company and the practices of the Group and approved the internal control, risk management and financial reporting matters including the unaudited consolidated financial statements for the year ended 31 December 2020 contained herein.

Following the completion of the auditing process, the Company will issue further announcement in relation to the audited results for the year ended 31 December 2020 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF UNAUDITED FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited 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.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2020 as agreed by the Auditor and the material differences (if any) as compared with the unaudited final results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2021.

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, 15 April 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*