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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)**

### **DECISION OF THE LISTING COMMITTEE TO SUSPEND TRADING IN THE COMPANY'S SHARES**

This announcement is made by China Gem Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 5 February 2021 and 10 February 2021 (the “**Announcements**”) in respect of, amongst other things, the decision of the Listing Division of the Stock Exchange (the “**Listing Division**”) that the Company had failed to comply with Rule 13.24 of the Listing Rules (the “**LD Decision**”) and the Company’s written request for a review by the Listing Committee of the Stock Exchange (the “**Listing Committee**”) of the LD Decision, respectively. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

### **DECISION OF THE LISTING COMMITTEE TO SUSPEND TRADING IN THE COMPANY'S SHARES**

The Board wishes to inform the Shareholders and potential investors of the Company that the review hearing of the LD Decision by the Listing Committee (the “**Review Hearing**”) was held on 4 May 2021. On 14 May 2021, the Company received a letter from the Listing Committee notifying the Company that the Listing Committee, having considered all the submissions (both written and oral) made by the Company and the Listing Division, decided to uphold the LD Decision to suspend trading in the Company’s shares (the “**Shares**”) under Rule 6.01(3) of the Listing Rules (the “**LC**

**Decision**”). The Listing Committee was of the view that the Company failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its Shares.

The Listing Committee arrived at its decision for the following reasons:

1. **Strategic Financial Investment** — As stated in the Company’s unaudited final results announcement for the year ended 31 December 2020 (“**FY2020**”) published on 15 April 2021 (“**Results Announcement**”), no revenue was generated from this segment in FY2020. It was further stated in the section “**Future Plans**” that the scale of Strategic Financial Investment would be reduced gradually, which was confirmed by the Company at the Review Hearing. In any event, under Rule 13.24(2), income derived from Strategic Financial Investment, which mainly involves proprietary securities trading and/or investment, should be excluded when considering the Company’s compliance with the amended Rule 13.24(1).
2. After the exclusion of Strategic Financial Investment, the Company’s other businesses are not viable and sustainable and/or have no substance. The Company has been loss-making since 2014 and there has been no material improvement in its operations. The downturn is not temporary.
  - (a) **Property Development Business** — The scale of operation of this business remains small after the Company ceased the development and construction of the Project in 2001. It generated revenue of less than HK\$9 million over 2014 to 2019, and revenue of around HK\$20 million in FY2020 (unaudited). After excluding the unrealised fair value gain or loss on investment properties, this business would record minimal segment profits, if not losses. In respect of the new lease agreements submitted by the Company in its written submissions dated 14 April and 30 April 2021, it was unclear how the minimal annual rental income generated could bring substantial improvement to the Company’s financial performance or level of operation.
  - (b) **Money Lending Business** — This segment commenced in 2015 and heavily relies on a small number of borrowers. As submitted by the Company at the Review Hearing, its loan receivables are to be impaired in its financial statements. The Company failed to demonstrate the substance of this business.
  - (c) **License and Financial Service Business** — This segment commenced in 2016. This business has remained at a low level of operation and only recorded minimal revenue and minimal segment profits, if not losses. As shown in the Results Announcement, no revenue was generated from this segment in FY2020. The Company did not provide any plans to further develop this business.

3. The Company's auditor expressed a disclaimer of opinion on the Company's FY2019 financial statements relating to, among others, uncertainties on going concern, recoverability of receivables and fair value measurement of Debt Securities. Although the Company's management was of the view that the relevant audit issues could be resolved, the Listing Committee noted that a disclaimer of opinion, relating to multiple uncertainties on going concern and the opening balances of certain financial statement items, still remained in the Company's draft FY2020 financial statements submitted to the Listing Division. It remained uncertain whether and how the audit qualification relating to the going concern uncertainties would be addressed in the foreseeable future.
4. The Listing Committee further noted that there were substantial differences between the unaudited financial results for FY2020 appended to the written submission from the Company dated 14 April 2021 and those published in the Results Announcement (which was published only on the following day). However, the Company was unable to explain such inconsistencies at the Review Hearing. This cast doubt on the quality of the Company's financial information.
5. In respect of the proposed acquisitions of a building materials company and Guangzhou Zhifeng, the Listing Committee noted that these were still ongoing and there had not been any material developments. These proposed acquisitions were subject to shareholders' approval and compliance with the Listing Rules. It was uncertain whether they would eventually proceed and even if so, how these businesses, which were fundamentally different from the Company's existing businesses, could substantially improve the Company's financial performance and/or level of operation.
6. The Company's proposed debt restructuring plans were preliminary. Apart from the Company's update at the Review Hearing that the amount involved in the winding-up petition had been settled, there had been no material development in respect of the restructuring of other debts. It was therefore unclear how such plans could improve the Company's business and its going concern issue.

## **RIGHT OF REVIEW AND POTENTIAL REVIEW REQUEST OF THE LC DECISION**

Under Rules 2B.06(2) and 2B.08(1) of the Listing Rules, the Company has the right to have the LC Decision referred to the Listing Review Committee (as defined in the Listing Rules) for review within seven business days from the date of the LC Decision (i.e., on or before 26 May 2021). The trading in the Shares will be suspended from 9:00 a.m. on 27 May 2021 (i.e., after the expiry of seven business days from the date of the LC Decision), unless the Company applies for a review of the LC Decision in accordance with its rights under Chapter 2B of the Listing Rules. Prior to that, trading in the Shares will continue.

The Company is in the process of reviewing the LC Decision and is discussing the same internally and with the professional advisers, and will consider whether to lodge a request for the LC Decision to be referred to the Listing Review Committee for review.

The Directors would like to remind the Shareholders and potential investors of the Company that (i) the Company may or may not proceed with the review by the Listing Review Committee; and (ii) the outcome of such review, if undertaken, is uncertain.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

**Shareholders who have any queries about the implications of the LC Decision are advised to obtain appropriate professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**China Gem Holdings Limited**  
**Zhong Ling**  
*Executive Director*

Hong Kong, 14 May 2021

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