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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)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of China Gem Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated results of the Company for the six months ended 30 June 2021 (the “**Period**”) together with comparative figures for the corresponding period in 2020 (the “**Corresponding Period**”) as follows. These interim financial statements have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>Six months ended 30 June 2021 (Unaudited) HK\$'000</b>	Six months ended 30 June 2020 (Unaudited) HK\$'000
Revenue	3	1,927	27,973
Other income		–	65
Administrative expenses		(2,338)	(8,575)
Fair value gains on financial assets at fair value through profit or loss		90,328	–
Finance costs		<u>(32,628)</u>	<u>(31,613)</u>
Loss before income tax	4	57,289	(12,150)
Income tax expense		<u>(420)</u>	<u>(565)</u>
<b>Loss for the period attributable to the owners of the Company</b>		<b><u>56,869</u></b>	<b><u>(12,715)</u></b>
<b>Other comprehensive expense for the period, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(332)</u>	<u>(768)</u>
		<u>56,537</u>	<u>(768)</u>
Total comprehensive expense for the period attributable to the owners of the Company		<b><u>56,205</u></b>	<b><u>(13,483)</u></b>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earning (loss) per share</b>			
Basic and diluted	5	<b><u>1.32</u></b>	<b><u>(0.30)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

		At <b>30 June 2021</b> (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		2,605	3,047
Investment properties		244,845	244,845
Intangible assets		–	–
		247,450	247,892
<b>Total non-current assets</b>			
<b>Current assets</b>			
Properties held for sale		1,671	1,671
Properties under development		31,431	31,431
Loan receivables		59,127	34,127
Trade and other receivables	6	24,625	20,823
Deposits and prepayments		2,375	2,375
Financial assets at fair value through profit or loss		155,919	90,591
Cash and cash equivalents		2	5
		275,150	181,023
<b>Total current assets</b>			
<b>Current liabilities</b>			
Trade and other payables	7	52,577	43,865
Accruals		250,432	230,787
Loan from a former shareholder		49,598	49,598
Other borrowings		419,933	419,933
Senior notes		179,967	179,967
		952,507	924,150
<b>Total current liabilities</b>			
<b>Net current liabilities</b>		<b>(677,357)</b>	<b>(743,127)</b>
<b>Total assets less current liabilities</b>		<b>(429,907)</b>	<b>(495,235)</b>

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<u>39,849</u>	<u>39,849</u>
Total non-current liabilities	<u>39,849</u>	<u>39,849</u>
<b>NET (LIABILITIES) ASSETS</b>	<u><u>(469,756)</u></u>	<u><u>(535,084)</u></u>
<b>Capital and reserves</b>		
Share capital	42,500	42,500
Reserves	<u>422,366</u>	<u>(582,474)</u>
<b>Equity attributable to owners of the Company</b>	<u>(464,866)</u>	<u>(539,974)</u>
<b>Non-controlling interests</b>	<u>4,890</u>	<u>4,890</u>
<b>TOTAL (DEFICIT) EQUITY</b>	<u><u>(469,756)</u></u>	<u><u>(535,084)</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

*For the six months ended 30 June 2021 (Unaudited)*

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

The Interim Financial Statements do not include all the information and disclosure required in the annual consolidated financial statements of the Group, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the 2021 Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020, except for the adoption of the new and revised HKFRS.

In the current period, the Group has adopted a number of new and revised HKFRSs, amendments to Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Ints**”) (hereinafter collectively referred to as “**new and revised HKFRSs**”) issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2021. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing their impact on the Group’s results and financial position.

The preparation of the 2021 Interim Financial Statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The 2021 Interim Financial Statements should be read in conjunction with the Group’s audited consolidated financial statements and notes thereto for the year ended 31 December 2020.

### 3. SEGMENT INFORMATION

During the six months ended 30 June 2021, the Group had four (six months ended 30 June 2020: four) reportable segments, (i) money lending, (ii) license and financial services business, (iii) strategic financial investment, and (iv) property development.

Details of the operating segments are as follows:

- (i) The money lending segment involves the money lending business in Hong Kong and the PRC.
- (ii) The license and financial service business involves the revenue generated from the licensed corporation with type 4 (advising on securities) and type 9 (asset management) regulated activities, and consultancy and administrative service income of fund portfolio, corporate development strategy consulting, project management consulting etc.
- (iii) The strategic financial investment involves the investment in financial products managed by fund managers who have good management skills, reasonable management fee etc.
- (iv) The property development segment involves the development of property, the management and rental of units/shops within a shopping arcade and residential units, and the sales of residential units in the PRC.

#### (a) Segment revenues and results

An analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2021 and 2020 are presented below:

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

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000
Reportable segment revenue	<u>-</u>	<u>10,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,210</u>	<u>1,927</u>	<u>2,310</u>	<u>1,927</u>	<u>27,973</u>
Results										
Segment results	<u>25,000</u>	<u>8,654</u>	<u>-</u>	<u>(470)</u>	<u>65,328</u>	<u>15,209</u>	<u>812</u>	<u>1,086</u>	<u>91,140</u>	<u>24,479</u>
Unallocated corporate expenses									<u>(1,223)</u>	<u>(5,016)</u>
Finance cost									<u>(32,628)</u>	<u>(31,613)</u>
Loss before income tax									<u>57,289</u>	<u>(12,150)</u>
Fair value gain/(losses) on financial assets at fair value through profit or loss	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,328</u>	<u>-</u>	<u>-</u>	<u>(13,899)</u>	<u>90,328</u>	<u>-</u>

**(b) Geographical information**

The following tables provides an analysis of the Group's revenue from external customers on the location of operations.

	<b>For the six months ended 30 June 2021 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Revenue from external customers		
— PRC	1,927	2,310
— Hong Kong	—	25,663
	<u>1,927</u>	<u>27,973</u>

**4. LOSS BEFORE INCOME TAX**

	<b>For the six months ended 30 June 2021 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Loss before income tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	447	164
Depreciation of right-of-use assets	—	2,212
Staff costs, including directors' remuneration		
• Retirement benefits scheme contributions	—	43
• Salaries and other benefits	50	2,048
	<u>50</u>	<u>2,048</u>

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2020 and 2021 as there were no assessable profit or had estimated tax losses brought forward to set off the estimated assessable profits during the period.

No provision for Enterprise Income Tax ("EIT") in the PRC as there were tax losses brought forward to set-off the estimated assessable profits during the six months ended 30 June 2020.

The subsidiaries of the Group established in the PRC is subject to EIT. EIT has been provided at the rate of 25% on the estimated assessable profits during the period arising in the PRC for the six months ended 30 June 2021.

## 5. EARNING (LOSS) PER SHARE

	<b>For the six months ended 30 June 2021 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2020 (Unaudited) HK\$'000
Earning (loss) attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>56,869</b>	(12,715)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b><u>4,250,013,330</u></b>	<u>4,250,013,330</u>

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

Diluted loss per share for the six months ended 30 June 2020 and 2021 are the same as the basic loss per share as there are no instruments with potential dilutive shares issued by the Group during the six months ended 30 June 2020 and 2021.

## 6. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Trade receivables	<b>22,750</b>	20,823
Other receivables	<b>1,875</b>	–
	<b><u>24,625</u></b>	<u>20,823</u>

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

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
0–90 days	<b>2,075</b>	1,468
90–365 days	<b>3,195</b>	19,355
Over 365 days	<b>19,355</b>	–
	<b><u>24,625</u></b>	<u>20,823</u>

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



## 7. TRADE AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables	37,445	28,733
Other payables	15,132	15,132
	<u>52,577</u>	<u>43,865</u>

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

	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Audited) HK\$'000
Over 365 days	<u>37,455</u>	<u>28,733</u>

At 30 June 2021, trade payables of approximately HK\$28,733 (31 December 2020: HK\$28,733,000), representing the outstanding construction fee in dispute.

## 8. CONTINGENT LIABILITIES

A People's Court of Shunde District, Foshan City, Guangdong Province (“**PRC Court**”) ((廣東省佛山市順德區人民法院) ruled in December 2013 that a wholly-owned subsidiary of the Group in PRC (Shunde China Rich Properties Limited) was jointly liable with its former PRC contractor to pay RMB3,198,000 (equivalent to approximately HK\$3,637,000 as at 30 June 2019) and RMB3,961,000 (equivalent to approximately HK\$4,505,000) to Yu Sheng and Zhang Mingzan respectively in respect of certain long outstanding construction fees. The Group appealed this decision. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the former PRC contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, and the court hearing was held in December 2016. In August 2017, the Higher People's Court of Guangdong Province dismissed the appeal by the Contractor and maintained the original verdict of the PRC Court in December 2013. No provision for these amounts has been made as the two execution cases were closed and such amounts were fully covered by the frozen bank accounts of the former PRC contractor.

## 9. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **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.

#### **ii) License and Financial Service Business**

During the six months ended 30 June 2021, the Group provided administrative services to other investment managers of funds domiciled in Cayman Island. The license and financial service business has generated revenue of approximately HK\$Nil (six months ended 30 June 2020: Nil), mainly from provision of administrative services to China Gem L.P., in which a fellow subsidiary of the Group was the general partner of the fund during the six months ended 30 June 2021. The nil revenue from the license and financial service 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 number of measures to recover the debt securities. However, up to the date of this announcement, the Company is still unable to recover the amount.

#### **iv) Property development**

Revenue in this segment business was derived from leasing of properties, building management fee income and sales of residential units in Shunde, the PRC. During the six months ended 30 June 2021, the Group recorded the rental, management and related fee income and sales of properties of approximately HK\$1,927,000 (six months ended 30 June 2020: approximately HK\$2,310,000).

### **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 30 June 2021, the Group had total cash and cash equivalents amounted to approximately HK\$2,000 (2020: approximately HK\$5,000), while net current liabilities amounted to approximately HK\$469,756,000 (2020: HK\$743,127,000). The current ratio as a ratio of current assets to current liabilities was approximately 0.1 times (2020: approximately 0.2 times). The decrease in the current ratio is mainly due to significant impairment losses on loan and interest receivables and financial assets at fair value through profit or loss.

As at 30 June 2021, total debts (including loans from a former shareholder, other borrowings and senior notes) of the Group amounted to approximately HK\$649,498,000 (2020: approximately HK\$649,498,000). Of this amount, 100% is repayable within one year (2020: 100%). All debts are charged at fixed interest rates, denominated in the Hong Kong dollars, US dollars and Renminbi. The gearing ratio, representing the ratio of total debts to the total equity of the Group was approximately -138.3% (2020: approximately -121.4%).

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2021, none of the Group's asset was pledged or charged.

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

Significant investments are mainly fund investments as set out in "Financial assets at fair value through profit or loss".

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.

## **FOREIGN CURRENCY EXPOSURE**

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars, US dollars and Renminbi. For the six months ended 30 June 2021, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

## **MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

### **Major Transaction in relation to the acquisition of 60% equity interest in Aohan Banner Ruijia Building Material Co., Limited\***

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 Company, entered into a share transfer agreement and agreed to acquire 60% equity interest in Aohan Banner Ruijia Building Material Co., Limited\* (敖漢旗瑞佳建材有限責任公司) (“**Ruijia**”) at a consideration of RMB51.6 million (equivalent to approximately HK\$61.9 million). Ruijia 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.

The Company considered that the acquisition of 60% equity interest in Ruijia 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.

Please refer to the announcements of the Company dated 3 February 2021 regarding the major transaction in relation to the acquisition of 60% equity interest in Ruijia.

### **Discloseable Transaction in relation to the acquisition of the entire equity interest in Shanghai Wangshun Industrial Co., Limited\***

On 28 May 2021, China Gem (Shenzhen) Investment Consulting Co., Limited\* (中石(深圳)投資諮詢有限公司) (“**China Gem (Shenzhen) Investment**”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement and acquire the entire equity interest of Shanghai Wangshun Industrial Co., Limited\* (上海旺舜實業有限公司) (“**Shanghai Wangshun**”) at a consideration of RMB18.0 million (equivalent to approximately HK\$21.9 million). Shanghai Wangshun is principally engaged in the business consulting, investment consulting (excluding finance and securities), enterprise management consulting, investment management, chemical raw materials and products (excluding hazardous chemicals, controlled chemicals, fireworks and firecrackers, civil explosives and precursor chemicals), hardware and electrical equipment, electronic products, electromechanical equipment and accessories, mechanical equipment and accessories, office supplies, sales of general merchandise, technology development, technology transfer, technology consulting and technical services in the field of environmental protection technology.

The Company considered that the acquisition of the entire equity interest in Shanghai Wangshun 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.

Please refer to the announcement of the Company dated 28 May 2021 regarding the discloseable transaction in relation to the acquisition of the entire equity interest in Shanghai Wangshun.

#### **Discloseable Transaction in relation to the acquisition of the entire equity interest in Dalian Yidi Agricultural Development Co., Limited\***

On 28 June 2021, China Gem (Shenzhen) Investment entered into a share transfer agreement and agreed to acquire the entire equity interest in Dalian Yidi Agricultural Development Co., Limited\* (大連益地農業發展有限公司) (“**Dalian Yidi**”) at a consideration of RMB33.0 million (equivalent to approximately HK\$39.65 million). Dalian Yidi is principally engaged in the acquisition and sales of Chinese medicines, edible agricultural products and live and fresh fishery products; the technology development, technology consultation, technology transfer and technology service of network and computer software and hardware; corporate management consultation; economic information consultation (education training and schooling shall not be engaged); organization and planning of cultural and sports activities; marketing and planning of real estates; exhibition and display services; convention services; operation of advertisement business; online trading agency; and domestic general trading.

The Company considered that the acquisition of the entire equity interest in Dalian Yidi 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.

Please refer to the announcement of the Company dated 28 June 2021 regarding the discloseable transaction in relation to the acquisition of the entire equity interest in Dalian Yidi.

Save as disclosed herein, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

#### **CONTINGENT LIABILITIES**

Save as disclosed in note 8 to the condensed consolidated financial statements, the Group had no material contingent liability as at 30 June 2021 (31 December 2020: Nil).

#### **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 June 2021 (31 December 2020: Nil).



## **EMPLOYEES AND REMUNERATION POLICIES**

As the date of this announcement, the Group had 10 employees in Hong Kong and China (31 December 2020: 26) and the total staff costs amounted to approximately HK\$50,000 (six months ended 30 June 2020: approximately HK\$21,119,000). Remuneration packages of the employees include monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2020: 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 six months ended 30 June 2021.

## **NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES**

As at the date of this announcement, the Board only has two independent non-executive Directors and each of them is not professional in accounting or related financial management expertise, which therefore falls below the minimum requirements under Rule 3.10 of the Listing Rules. In addition, none of the member of the Audit Committee is an 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, falling below the requirements under Rule 3.21 of the Listing Rules.

Please refer to the announcements of the Company dated 17 July 2020, 23 October 2020, 11 January 2021, 19 January 2021, 27 January 2021, 24 February 2021, 1 April 2021 and 26 May 2021 for details.

## **CORPORATE GOVERNANCE**

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our Shareholders. The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules except the following deviation throughout the six months ended 30 June 2021.



## **Code Provision A.2.1**

As at the date of this announcement, the role of the chairman of the Board is performed by Mr. Zhong Ling who possesses essential leadership skills and has extensive knowledge in the business of the Group.

Although the appointment of the chief executive of the Company (the “**Chief Executive**”) remains 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. The Company will seek to re-comply with code provision A.2.1 by identifying a suitable and qualified candidate to the position of the Chief Executive in future.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021. The Company also adopted a code of conduct governing securities transactions by its employees who may access to inside information relating to the Company.

## **DECISION OF THE STOCK EXCHANGE ON RULE 13.24**

On 5 February 2021, the Company had received a letter from the Stock Exchange, which served as a notice that the Stock Exchange has decided that the Company had failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the shares of the Company (the “**Shares**”), and that, subject to whether the Company applies for a review of the LD Decision (as defined hereinafter), trading in the Shares shall be suspended under Rule 6.01(3) of the Listing Rules (the “**LD Decision**”).

On 10 February 2021, the Company had submitted a written request for the LD Decision to be referred to the Listing Committee of the Stock Exchange (the “**Listing Committee**”) for review pursuant to Rule 2B.06(1) of the Listing Rules, and the review hearing has been scheduled.

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 of the Stock Exchange (the “**Listing Division**”), decided to uphold the LD Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules (the “**LC Decision**”). The Listing Committee was also 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.

On 20 May 2021, the Company has made a written request to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) for the LC Decision to be referred to the Listing Review Committee for a further and final review (the “**LRC Review**”) pursuant to Rule 2B.06(2) of the Listing Rules.

On 27 August 2021, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having carefully considered all the facts and evidence, and all submissions presented by the Company and the Listing Division, decided to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules on the ground that the Company had failed to comply with Rule 13.24 of the Listing Rules (the “**LRC Decision**”).

At the request of the Company, the trading in the Shares on the Stock Exchange had been suspended with effect from 9:00 a.m. on 30 August 2021 and will remain suspended until further notice. Pursuant to Rule 6.01A of the Listing Rules, the Company shall have a period of 18 months ending on 28 February 2023 to take appropriate actions to demonstrate its compliance with Rule 13.24 of the Listing Rules and fulfil the resumption guidance for the Company (the “**Resumption Guidance**”), failing which the Stock Exchange may cancel the listing of the Shares.

Details of (i) the LD Decision were set out in the announcements of the Company dated 5 February 2021 and 10 February 2021; (ii) the LC Decision were set out in the announcement of the Company dated 14 May 2021; (iii) the LRC Review were set out in the announcement of the Company dated 20 May 2021; (iv) the LRC Decision were set out in the announcement of the Company dated 29 August 2021; and (v) the Resumption Guidance were set out in the announcement of the Company dated 23 September 2021.

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

## **EVENTS AFTER REPORTING PERIOD**

Save as disclosed herein, there were no significant events after 30 June 2021.

## **AUDIT COMMITTEE REVIEW**

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

The unaudited interim financial statements of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee. According to the report of managements, such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made. The Audit Committee agrees with the report of managements in principle, and requires the managements to evaluate the credit quality of all kinds of risk assets with the principle of due diligence, to ensure the accuracy of disclosure of business information and appropriateness of application of accounting standards.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Stock Exchange and the Company. The Company's interim report for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the said websites in due course.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 30 August 2021 and will remain suspended until further notice.

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

Hong Kong, 27 September 2021

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

\* *For identification purpose only*