



# China Gem Holdings Limited

## 中國中石控股有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1191)

**2020**  
Interim Report

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTOR

Mr. Chen Jie, *Chief Executive*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Su Xihe  
Mr. Huang Yupeng

## BOARD COMMITTEES

### Audit Committee

Mr. Su Xihe  
Mr. Huang Yupeng

### Remuneration Committee

Mr. Su Xihe (*Chairman*)  
Mr. Huang Yupeng

### Nomination Committee

Mr. Huang Yupeng (*Chairman*)  
Mr. Su Xihe

## COMPANY SECRETARY

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

## AUTHORISED REPRESENTATIVES

Mr. Chen Jie  
Ms. Ho Wing Yan *ACIS ACS (PE)*

## AUDITOR

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Sheung Wan  
Hong Kong

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
Chiyu Banking Corporation Ltd.

## LEGAL ADVISER

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## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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## **WEBSITE**

[www.1191hk.com](http://www.1191hk.com)

## **STOCK CODE**

1191

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 2020 (the "Period") together with comparative figures for the corresponding period in 2019 (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 2020

	Notes	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Revenue	4	27,973	50,195
Other income		65	1,938
Administrative expenses		(8,575)	(56,841)
Other operating expenses		—	(354)
Fair value gains on financial assets at fair value through profit or loss		—	13,899
Finance costs	5	(31,613)	(26,459)
Loss before income tax	6	(12,150)	(17,622)
Income tax expense	7	(565)	—
<b>Loss for the period attributable to the owners of the Company</b>		<b>(12,715)</b>	<b>(17,622)</b>

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
<b>Other comprehensive (expense)/income 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		(539)	(9)
		(539)	(9)
Total comprehensive expenses for the period attributable to the owners of the Company		(13,254)	(17,631)
		<b>HK cents</b>	HK cents
<b>Loss per share</b>			
Basic and diluted	8	(0.30)	(0.42)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		8,957	9,121
Investment properties	9	231,487	231,487
<b>Total non-current assets</b>		<b>240,444</b>	240,608
<b>Current assets</b>			
Properties held for sale		5,629	5,629
Properties under development		31,431	31,431
Loan receivables	10	113,770	113,770
Trade and other receivables	11	87,471	60,166
Deposits and prepayments		2,375	2,211
Financial assets at fair value through profit or loss		499,905	499,905
Cash and cash equivalents		1,533	1,439
<b>Total current assets</b>		<b>742,114</b>	714,551
<b>Current liabilities</b>			
Trade and other payables	12	34,464	39,319
Accruals		164,079	127,943
Lease liabilities		4,049	4,049
Loan from a former shareholder	13	49,598	49,598
Other borrowings		427,784	418,412
Senior notes		179,967	179,967
<b>Total current liabilities</b>		<b>859,941</b>	819,288
<b>Net current liabilities</b>		<b>(117,827)</b>	(104,737)
<b>Total assets less current liabilities</b>		<b>122,617</b>	135,811

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities		2,016	2,136
Other borrowings		—	—
Deferred tax liabilities		37,525	37,405
<b>Total non-current liabilities</b>		<b>39,541</b>	39,541
<b>NET ASSETS</b>		<b>83,076</b>	96,330
<b>Capital and reserves</b>			
Share capital	14	42,500	42,500
Reserves		35,685	48,939
<b>Equity attributable to owners of the</b>			
<b>Company</b>		<b>78,185</b>	91,439
<b>Non-controlling interests</b>		<b>4,891</b>	4,891
<b>TOTAL EQUITY</b>		<b>83,076</b>	96,330



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Distributable reserve	Contributable surplus	Share option reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2020	42,500	1,904,307	11,613	5,728	77,033	1,080,948	2,691	(3,033,381)	91,439	4,891	96,330
Loss for the period	—	—	—	—	—	—	—	(12,715)	(12,715)	—	(12,715)
Exchange differences on translating foreign Operations	—	—	—	(539)	—	—	—	—	(539)	—	(539)
Total comprehensive expenses for the period	—	—	—	(539)	—	—	—	(12,715)	(13,254)	—	(13,254)
As at 30 June 2020	42,500	1,904,307	11,613	5,189	77,033	1,080,948	2,691	(3,046,096)	78,185	4,891	83,076

For the six months ended 30 June 2019 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Distributable reserve	Contributable surplus	Share option reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2019, as previously reported	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,371)	478,634	4,892	483,526
Effect of adoption of HKFRS 16	—	—	—	—	—	—	—	(452)	(452)	—	(452)
As at 1 January 2019, as restated	41,354	1,888,560	11,613	5,951	77,033	1,080,948	3,546	(2,630,823)	478,182	4,892	483,074
<b>Transactions with owners</b>											
Issue of shares upon exercise of shares options (note 13)	973	11,952	—	—	—	—	3,619	—	16,544	—	16,544
Loss for the period	—	—	—	—	—	—	—	(17,622)	(17,622)	—	(17,622)
Exchange differences on translating foreign operations	—	—	—	(9)	—	—	—	—	(9)	—	(9)
Total comprehensive expenses for the period	—	—	—	(9)	—	—	—	(17,622)	(17,631)	—	(17,631)
As at 30 June 2019	42,327	1,900,512	11,613	5,942	77,033	1,080,948	7,165	(2,648,445)	477,095	4,892	481,987

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>Six months ended 30 June 2020 (Unaudited) HK\$'000</b>	Six months ended 30 June 2019 (Unaudited) HK\$'000
Net cash used in operating activities	<b>(9,585)</b>	(8,185)
Net cash generated from/(used in) investing activities	<b>214</b>	378
Net cash generated from financing activities	<b>9,437</b>	4,153
Increase (decrease) in cash and cash equivalents	<b>66</b>	(3,654)
Cash and cash equivalents at the beginning of the period	<b>1,439</b>	6,887
Effect of foreign exchange rate changes	<b>28</b>	707
Cash and cash equivalents at the end of the period	<b>1,533</b>	3,940

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (Unaudited)

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The Interim Financial Statements do not include all the information and disclosure required in the annual consolidated financial statements of the Company and its subsidiaries (the “Group”), and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, 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 2020 Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, 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 2020. 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 2020 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 2020 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 2019.

### 3. SEGMENT INFORMATION

During the six months ended 30 June 2020, the Group had four (six months ended 30 June 2019: 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 2020 and 2019 are presented below:

	Money lending		License and financial services business		Strategic financial investment		Property development		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reportable segment revenue</b>	<b>10,453</b>	11,269	—	1,323	<b>15,210</b>	34,570	<b>2,310</b>	3,033	<b>27,973</b>	50,195
<b>Results</b>										
Segment results	<b>8,654</b>	(3,741)	<b>(470)</b>	648	<b>15,209</b>	31,944	<b>1,086</b>	772	<b>24,479</b>	29,623
Unallocated corporate expenses									<b>(5,016)</b>	(20,786)
Finance cost									<b>(31,613)</b>	(26,459)
Loss before income tax									<b>(12,150)</b>	(17,622)
Fair value gain/(losses) on financial assets at fair value through profit or loss	—	—	—	—	—	—	<b>(13,899)</b>	—	—	(13,899)

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

**(b) 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 2020 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Revenue from external customers		
— PRC	<b>2,310</b>	3,033
— Hong Kong	<b>25,663</b>	47,162
	<b>27,973</b>	50,195

**4. REVENUE**

	<b>For the six months ended 30 June 2020 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Rental income	<b>1,275</b>	1,375
Building management fee income	<b>1,035</b>	834
Sale of property in the PRC	—	834
Loan interest income	<b>10,453</b>	11,269
License and financial services income	—	1,323
Interest income from financial assets investment	<b>15,210</b>	34,570
	<b>27,973</b>	50,195

5. FINANCE COSTS

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Interest on loans from shareholders	308	258
Interest on other borrowings	20,784	17,866
Interest on lease liabilities	523	475
Imputed interest on senior notes	9,998	7,860
	<b>31,613</b>	26,459

6. LOSS BEFORE INCOME TAX

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Loss before income tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	164	434
Depreciation of right-of-use assets	2,212	2,525
Impairment of loan receivables	—	15,434
Impairment of trade and other receivables	—	15,809
Staff costs, including directors' remuneration		
• Retirement benefits scheme contributions	43	285
• Salaries and other benefits	2,048	16,458

## 7. INCOME TAX EXPENSE

	<b>For the six months ended 30 June 2020 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Current tax	565	—
Deferred tax	—	—
	<b>565</b>	—

No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2019 and 2020 as there were no assessable profit or had estimated tax losses brought forward to set off the estimated assessable profits during the period.

No provision for Enterprise Income Tax in the PRC as there were tax losses brought forward to set-off the estimated assessable profits during the six months ended 30 June 2019.

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 2020.

## 8. LOSS PER SHARE

	<b>For the six months ended 30 June 2020 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(12,715)</b>	(17,622)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>4,250,013,330</b>	4,153,415,098

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 2019 and 2020 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 2019 and 2020.



9. INVESTMENT PROPERTIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Fair value:		
Completed investment properties, in the PRC	<b>145,353</b>	145,353
Investment properties under construction, in the PRC	<b>86,134</b>	86,134
	<b>231,487</b>	231,487

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

The fair value of the Group's investment properties at 30 June 2020 and 31 December 2019 were determined by the Directors based on the highest and best use approach.

The fair values of investment properties were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable.

As at 30 June 2020, included in investment properties with a fair value of approximately RMB46,800,000 (approximately HK\$53,230,000) for which the Group has not yet obtained the building ownership certificate. The Group is in the process of applying the housing ownership certificate.

## 10. LOAN RECEIVABLES

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Loan receivables	<b>252,792</b>	252,792
Less: Impairment allowances	<b>(139,022)</b>	(139,022)
	<b>113,770</b>	113,770

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

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Hong Kong dollars	<b>101,354</b>	101,354
Renminbi ("RMB")	<b>12,416</b>	12,416
	<b>113,770</b>	113,770

As at 30 June 2020, loan receivables are secured by collaterals or personal guarantee provided by customers, bear interest ranging from 10% - 15% (At 31 December 2019: 7.5% - 15%) per annum and are repayable with fixed terms agreed with the Group's customers. As at 30 June 2019, for certain loan receivables, the fair value of the collaterals is higher than the outstanding principal and interest. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

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

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
More than 3 months	<b>113,770</b>	113,770

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

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables	82,448	55,155
Other receivables	5,023	5,011
	<b>87,471</b>	<b>60,166</b>

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
0-90 days	26,367	2,697
90-365 days	2,221	1,328
Over 365 days	53,860	51,130
	<b>82,448</b>	<b>55,155</b>

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

As at 30 June 2020, included in other receivables were amount of Nil (31 December 2019: HK\$4,900,000) and Nil (31 December 2019: HK\$110,000) which represents amount due from a non-controlling shareholder of a subsidiary of the Group and a related party respectively. Except for the amount due from a related party which is bearing interest at 10% per annum, the remaining amounts are unsecured, interest-free and repayable on demand.

As at 30 June 2020, impairment loss of approximately HK\$158,774,000 (31 December 2019: approximately HK\$158,774,000) was recognised.

## 12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables	28,733	28,733
Other payables	5,731	10,586
	<b>34,464</b>	39,319

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Over 365 days	28,733	28,733

At 30 June 2020, trade payables of approximately HK\$28,733,000 (31 December 2019: HK\$28,733,000), representing the outstanding construction fee in dispute.

## 13. LOAN FROM SHAREHOLDERS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Linshan Limited ("Linshan")	49,598	49,598

The loan from Linshan is unsecured, bears interest rate at 1% per annum. The Group is in dispute with Linshan on the interest and loan repayment. The loan was repayable on 31 December 2014, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon. No further action has been taken by Linshan since then. For the background and details of the dispute with Linshan, please refer to the notes of the consolidated financial statements for the year ended 31 December 2019.

#### 14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
At 30 June 2020 and 1 January 2020	4,250,013,330	42,500

#### 15. CONTINGENT LIABILITIES

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

## 16. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidated and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

- (a) During the Period, the Group entered into the following transactions with related parties:

	<b>For the six months ended 30 June 2020 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Interest expenses incurred on loans from shareholders	—	(258)
License service income (note)	—	1,323
Interest income from a related party	—	2

Note: The license service income was generated from the provision of administrative service provided to a fund in which a fellow subsidiary of the Group was the general partner of the fund. The transaction has been conducted on normal commercial terms.

- (b) Compensation of key management personnel

The remuneration of Directors and other member of key management during the Period were as follows:

	<b>For the six months ended 30 June 2020 (Unaudited) HK\$'000</b>	For the six months ended 30 June 2019 (Unaudited) HK\$'000
Salaries and other short-term benefits	<b>2,058</b>	12,559
Post-employment benefits	<b>54</b>	54
	<b>2,112</b>	12,613

## 17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved and authorised for issue by the Board of Directors on 31 August 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### *i) Money lending*

The Group has provided a wide range of loans with accumulated amount of approximately HK\$253 million as of 30 June 2020 (31 December 2019: approximately HK\$253 million). Interest rates ranging from 10%-15% (31 December 2019: 10%-15%). The Group did not further expand the money lending sector during the Period due to the outbreak of Novel Coronavirus ("COVID-19"). Customers are mainly from corporate who have been carefully evaluated by the Group on their repayment capabilities and securities pledged.

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

During the Period, the Group provides administrative services to other investment managers of funds domiciled in Cayman Island. Due to the outbreak of COVID-19, the license and financial service business has recorded nil revenue during the Period (six months ended 30 June 2019: approximately HK\$1,323,000).

### *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 at 30 June 2020, the Group held five investment funds with total subscription amount of approximately HK\$646,650,000. Details of the five investments funds are as follows:

Date of announcement	Name of fund	General partner/ manager	Investment	Management fee	Term of investment	Investment type	% of fund held	Name of underlying investment companies	Beneficial owner of underlying investment companies	Major businesses of underlying investment companies	The fair value of the fund as at 30 June 2020 (HK\$'M)	The proportion of the fair value of underlying investments of the fund in total assets of the Group as at 30 June 2020
18/5/2017	Wealth Creation Special Opportunities Fund LP	OBOR Fund Management Limited	100	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	Debt securities	100%	Baton Investment Limited	Ma Zufeng	Investment holding, mining investment	102.1	10.7%
26/7/2017	Partners Tian Wei Fund	Partners Investment Management Limited	140	0.3% per annum of the aggregated commitment	3 years (may extend for another 2 years)	Debt securities	100%	Star Keen Investment Limited	Lin Xiaosheng	Investment management	136.9	14.3%
7/11/2017	Bison Target Investment SPC – BOCI Foed Income Focused Growth SP	BTS Investment Limited	US\$17.5M (equivalent to HK\$136.5M)	0.5% per annum of the aggregated commitment	3 years (may extend for another 2 years)	Debt securities	100%	Fen River Capital Limited	Huang Zhengxiong	Real estate investment, high-tech investment	130.7	13.7%
8/11/2017 & 27/12/2017	Forward Fund SPC	Full House Asset Management Company Limited	130.15	0.3% per annum of the aggregated commitment	2 years	Convertible bonds Note (a)	100%	China Ocean Industry Group Limited ("Issuer")	Note (b)	Steel structure engineering and installation, intelligent parking, automobile and electronic business	– Note (d)	–
24/11/2017	Nan Tai Investment LP	Nan Tai Investment Limited	140	0.5% per annum of the aggregated commitment	2 years (extended for another 1 year)	Debt securities	100%	Huotune International Group Limited	Qian Baohua	Industrial Investment, chemical industry and trading	130.1	13.6%
Total			646.65								499.8	52.3%

Notes:

- (a) Through the investment fund of "Forward Fund SPC", the Group subscribed the two-year convertible bonds issued by the Issuer (Stock code on the Hong Kong Stock Exchange: 0651) with a subscription amount of HK\$129,000,000. The convertible bonds carry an interest of 10% per annum, payable annually in arrears. The convertible bonds were over due as at 30 June 2020. The Group did not convert any shares from the convertible bonds.
- (b) For details of the beneficial owners of the Issuer, please refer to relevant information announced in its annual report of 2019.
- (c) All of the beneficial owners of underlying investment companies are independent of connected person.
- (d) The significant decrease in fair value of investment funds was due to the default of the convertible bonds. Further more, the Issuer is in the legal process of liquidation. For more information, please refer to announcements made by the Issuer.



The table below sets forth the results of underlying investments of the five funds during the Period:

	Wealth Creation Special Opportunities Fund LP	Partners Tian Wei Fund	Bison Target Investment SPC-BOCI Fixed Income Focused Growth SP	Forward Fund SPC	Nan Tai Investment LP	Total
	six months ended	six months ended	six months ended	six months ended	six months ended	six months ended
	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Underlying investment of the funds						
Change in fair value	—	—	—	—	—	—
Investment income (Note)	2,318	3,001	3,646	2,388	3,857	15,210
Dividends received from the funds	—	—	—	—	—	—

Note: Investment income refers to the interest income recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2020.

During the Period, no investment fund was redeemed by the Group.

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

Revenue in this segment was derived from leasing of properties and building management fee income and sale of residential units in Shunde, the PRC. During the Period, the Group recorded the segment income of approximately HK\$2,310,000 (six months ended 30 June 2019: approximately HK\$3,033,000). The segment profit for the Period was approximately HK\$1,086,000 (six months ended 30 June 2019: approximately HK\$772,000), represented an increase of approximately 40.1% compare to the Corresponding Period. The increase mainly due to the sale of property in the PRC.

### III. FUTURE PLANS

Looking forward, the Group will continue to focus on the development of money lending, license and financial service business, fund investment and property development while gradually carrying out special opportunity real estate and special opportunity debt business. Under the complicated macro-economic environment, the Group will adhere to the business philosophy of "Professionalism, Dedication, Devotion" and "Customer First, Efficiency Priority, Synergic Development, Pursuit of Excellence", and will strive for our overall business development by fully exploring the synergy and interconnection between our existing business segments.

#### *i) Money lending*

Under current economic environment, in order to protect shareholders' interests and avoid risks, the Group will exercise prudent approach in assessing money lending projects and conduct proper control over the scale of money lending business. Besides improving our credit policies, we will continue to optimize the overall credit quality of our loan portfolios.

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

For license business, in the second half of 2020, the Group will continue to study the establishment of Special Opportunity Investment Fund and actively carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

In addition, for non-license financial service business, the Group will give full play to its talent advantages and intellectual output, provide tailor-made professional and comprehensive financial service solutions for customers. The Group will seek investment and growth opportunities in order to generate additional revenue through the linkage between domestic and overseas business, and the asset-light strategy.

### **iii) Strategic financial investment**

The Group will continue to seize opportunity in fund investments in order to utilize the Group's financial resources more efficiently and effectively. To yield better investment returns, the Group will strengthen its original investment fund management, deepen its understanding of fund operations, and fully tap into the experiences and expertise of the management team and general partners in its investment funds.

### **iv) Property development**

In view of restrictions imposed on property projects in Mainland China, the Group will prepare appropriate entry and exit strategies in the interest of the Company and its shareholders as a whole. As for projects that underperform our expectations, we will elect to exit when timing is right. Furthermore, we will continue to explore other property development opportunities to expand our investment property portfolio and consolidate our revenue base, safeguarding the potential of capital appreciation for the Group. Acquisition of investment properties in Huangshan District was one of our important steps to strengthen our income base from property development segment.

### **v) Special opportunity real estate and special opportunity debt business**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

	<b>30 June 2020 (Unaudited) HK\$'000</b>	<b>31 December 2019 (Audited) HK\$'000</b>
Debt	<b>899,482</b>	858,829
Total equity	<b>83,076</b>	96,330
Gearing ratio	<b>10.83</b>	8.92
Current ratio	<b>0.86</b>	0.87

## **CHARGES ON GROUP ASSETS**

As at 30 June 2020, none of the Group's asset was pledged or charged.

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

Significant investments are mainly fund investments as set out in "Business review — Strategic financial investment".

In the future, the Group will continue to identify new opportunities for business development. The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other specific future plans relating to material acquisitions, investments or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the future, the Group will perform feasibility studies and prepare implementation plans to assess whether it is beneficial to the Group and the shareholders of the Company (the "Shareholders") as a whole.

## **FOREIGN CURRENCY EXPOSURE**

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong dollars, US dollars and Renminbi. For the six months ended 30 June 2020, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

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

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 15 to the condensed consolidated financial statements, the Group had no material contingent liability as at 30 June 2020 (31 December 2019: Nil).

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 30 June 2020 (31 December 2019: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As the date of this report, the Group had 5 employees in Hong Kong and China (31 December 2019: 28) and the total staff costs amounted to approximately HK\$2,091,000 (six months ended 30 June 2019: approximately HK\$16,743,000). 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.

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

Save as disclosed herein, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

# OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

As at 30 June 2020, none of the Directors or the chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2020, so far as being known to the Directors or chief executive of the Company, the interests and short positions of the substantial shareholders or other persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Number of Shares held in long position (L)/ short position (S)	Approximate percentage of the total issued Shares (Note g)
China Gem Financial Group Limited	Beneficial owner	820,092,952 (L)	19.30% (L)
		511,281,872 (S)	12.03% (S)
China Gem Group Limited (Note a)	Interests in controlled corporation	820,092,952 (L)	19.30% (L)
		511,281,872 (S)	12.03% (S)
Zhong Ling (Note b)	Interests in controlled corporation	820,092,952 (L)	19.30% (L)
		511,281,872 (S)	12.03% (S)
Hua Tai Investment Co. Ltd.	Beneficial owner	648,878,128 (L)	15.27% (L)
		138,718,128 (S)	3.26% (S)
An Hong (Note c)	Interests in controlled corporation	648,878,128 (L)	15.27% (L)
		138,718,128 (S)	3.26% (S)
至卓飛高企業管理諮詢服務(韶關)有限公司	Person having a security interest in shares	493,160,000 (L)	11.60% (L)
Topsearch Printed Circuits (HK) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Topsearch Industries (Holdings) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Topsearch Industries (BVI) Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
China HKBridge Holdings Limited (Note d)	Interests in controlled corporation	493,160,000 (L)	11.60% (L)
Prosper Talent Limited (Note e)	Person having a security interest in shares	359,537,333 (L)	8.46% (L)
CCBI Investments Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB International (Holdings) Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB Financial Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
CCB International Group Holdings Limited (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
China Construction Bank Corporation (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
Central Huijin Investment Ltd. (Note e)	Interests in controlled corporation	359,537,333 (L)	8.46% (L)
Fen River Capital Limited	Beneficial owner	5,880,000 (L)	0.14% (L)
	Person having a security interest in shares	290,462,667 (L)	6.83% (L)
Huang Zhengxiong (Note f)	Interests in controlled corporation	296,342,667 (L)	6.97% (L)

Notes:

- (a) China Gem Group Limited was deemed to be interested in the 820,092,952 Shares as it directly held 100% of the issued shares of China Gem Financial Group Limited.
- (b) Mr. Zhong Ling was deemed to be interested in the 820,092,952 Shares as he indirectly held 100% of the issued shares of China Gem Financial Group Limited.
- (c) Mr. An Hong was deemed to be interested in the 648,878,128 Shares as he directly held 100% of the issued shares of Hua Tai Investment Co. Ltd.
- (d) 至卓飛高企業管理諮詢服務(韶關)有限公司 is a wholly-owned subsidiary of Topsearch Printed Circuits (HK) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (Holdings) Limited, which in turn is a wholly-owned subsidiary of Topsearch Industries (BVI) Limited, which in turn is a wholly-owned subsidiary of China HKBridge Holdings Limited.
- (e) On 3 November 2017, the Company entered into a note purchase agreement with Prosper Talent Limited in relation to two-year notes in an aggregate principal amount of HK\$180 million. China Gem Financial Group Limited charged 359,537,333 Shares in favour of the Prosper Talent Limited as security for the notes.  
  
Prosper Talent Limited is a wholly-owned subsidiary of CCBI Investments Limited, which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited, which in turn is a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn is a wholly-owned subsidiary of CCB International Group Holdings Limited, which in turn is a wholly-owned subsidiary of China Construction Bank Corporation, which is 57.11% held by Central Huijin Investment Ltd.
- (f) Mr. Huang Zhengxiong was deemed to be interested in the 296,342,667 shares as he directly held 100% of the issued shares of Fen River Capital Limited.
- (g) These percentages are calculated on the basis of 4,250,013,330 issued Shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO.

## 2010 SHARE OPTION SCHEME

The terminated share option scheme was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 28 July 2010 with scheme mandate limit refreshed on 25 May 2016 and was terminated by the Shareholders on 27 May 2019 (the "2010 Share Option Scheme"). The primary purpose of the 2010 Share Option Scheme is providing incentive to the eligible employees and Directors. Before the termination of the 2010 Share Option Scheme and under the terms of the 2010 Share Option Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the 2010 Share Option Scheme including the directors and employees of the Company or its subsidiaries to subscribe for Shares at a price equal to the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the Shares. Outstanding share options granted under the 2010 Share Option Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the 2010 Share Option Scheme.



Details of the share options outstanding as at 30 June 2020 which have been granted under the Scheme are as follows:

Category and name of participants	Grant date	Exercisable from	Exercisable until	Outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Lapsed/Cancelled during the Period	Outstanding as at 30 June 2020	Exercise price per Share (HK\$)
<b>Director</b>									
Cui Lei (resigned on 22 January 2020)	23 November 2018	23 May 2019	22 November 2023	19,440,000	–	–	19,440,000	–	0.108
<b>Employees</b>									
	23 November 2018	23 November 2018	22 November 2023	4,134,000	–	–	–	4,134,000	0.108
	23 November 2018	23 February 2019	22 November 2023	17,206,000	–	–	–	17,206,000	0.108
	23 November 2018	23 May 2019	22 November 2023	51,280,000	–	–	–	51,280,000	0.108
<b>Total</b>				<b>92,060,000</b>	<b>–</b>	<b>–</b>	<b>19,440,000</b>	<b>72,620,000</b>	

## 2019 SHARE OPTION SCHEME

The new share option scheme of the Company (the “2019 Share Option Scheme”) was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 27 May 2019. The purpose of the 2019 Share Option Scheme is to enable the Company to grant Options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Company. Under the terms of the 2019 Share Option Scheme, the Board may, at their discretion, grant options to the participants who fall within the definition prescribed in the 2019 Share Option Scheme including the directors and employees of the Company or its subsidiaries to subscribe for shares in the Company at a price not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of the Share on the offer date. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant or grantee (including exercised and outstanding options) in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue without prior approval from the Shareholders. Any grant of options to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company’s issued Shares and with a value in excess of HK\$5,000,000 must be approved in advance by the Shareholders. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The 2019 Share Option Scheme shall be valid and effective for a period of ten years commencing from its date of adoption on 27 May 2019 and expiring on 26 May 2029. No share option has been granted, exercised, lapsed or cancelled under the 2019 Share Option Scheme up to the date of this report.

## CORPORATE GOVERNANCE

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our Shareholders. The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules except the following deviation throughout the six months ended 30 June 2020.

### Code Provision A.2.1

The role of the chief executive of the Company is 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 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.

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

From 17 July 2020 and up to the date of this report, following the resignation of Ms. Chan Chu Hoi, 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, the Audit Committee members decreased from three to two, falling below the minimum number required under Rule 3.21 of the Listing Rules.

Please refer to the announcement of the Company dated 17 July 2020 for details.

## EVENTS AFTER REPORTING PERIOD

There were no significant events after the six months ended 30 June 2020.

## 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 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.

## 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 two independent non-executive Directors, namely Mr. Su Xihe and Mr. Huang Yupeng.

The unaudited interim financial statements of the Group for the six months ended 30 June 2020 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 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 report is published on the websites of the Stock Exchange and the Company.

## **APPRECIATION**

I would like to thank our fellow Directors for their contribution and support throughout the Period, and our management and employees for their dedication and hard work.

I would also like to express our sincere appreciation to our Shareholders, customers, bankers and suppliers for their continuing support.

By order of the Board  
**China Gem Holdings Limited**  
**Chen Jie**  
*Executive Director and  
Chief Executive*

Hong Kong, 31 August 2020