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G-Resources Group Limited

國際資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1051)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

GROUP RESULTS

The board (the “Board”) of directors (the “Directors”) of G-Resources Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	NOTES	For the six months ended	
		30 June 2017 USD'000 (Unaudited)	30 June 2016 USD'000 (Unaudited)
Continuing operations			
Revenue	4	13,322	12,789
Other income		7,635	1,675
Administrative expenses		(7,714)	(5,748)
Fair value changes of held for trading investments		690	(1,304)
Fair value loss of derivative component in convertible bond		(858)	–
Increase in fair value of investment properties		6,445	386
Profit before taxation		19,520	7,798
Taxation	5	(226)	(13)
Profit for the period from continuing operations	6	19,294	7,785
Discontinued operation			
Profit for the period from discontinued operation		–	118,566
Profit for the period		19,294	126,351

		For the six months ended	
		30 June	30 June
		2017	2016
	<i>NOTES</i>	<i>USD'000</i>	<i>USD'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company			
Continuing operations		18,499	7,829
Discontinued operation		–	117,653
Profit for the period attributable to owners of the Company		18,499	125,482
Profit/(loss) for the period attributable to non-controlling interests			
Continuing operations		795	(44)
Discontinued operation		–	913
Profit for the period attributable to non-controlling interests		795	869
		19,294	126,351
Earnings per share			
For continuing operations and discontinued operation			
– Basic and diluted (<i>US cent</i>)	8	0.07	0.47
For continuing operations			
– Basic and diluted (<i>US cent</i>)	8	0.07	0.03

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended	
	30 June 2017 USD'000 (Unaudited)	30 June 2016 USD'000 (Unaudited)
Profit for the period	19,294	126,351
Other comprehensive (expenses)/income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation	(6,494)	(874)
	<u>(6,494)</u>	<u>(874)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation	1,864	85
Release of exchange reserve upon disposal of subsidiaries	–	304
Fair value gain on available-for-sale investments	7,020	2,702
Reclassification upon disposal of available-for-sale investments	(533)	–
	<u>8,351</u>	<u>3,091</u>
Other comprehensive income for the period	1,857	2,217
Total comprehensive income for the period	<u>21,151</u>	<u>128,568</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	20,393	127,703
Non-controlling interests	758	865
	<u>21,151</u>	<u>128,568</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	<i>NOTES</i>	30 June 2017 <i>USD'000</i> (Unaudited)	31 December 2016 <i>USD'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		60,032	24,664
Investment properties		82,978	95,934
Available-for-sale investments	9	396,416	303,382
Other receivable and deposits	10	1,964	13,357
Intangible assets		516	455
Goodwill		1,471	1,480
Loans receivable	11	256	–
		543,633	439,272
CURRENT ASSETS			
Accounts and other receivables	10	17,641	21,396
Held for trading investments		72,750	72,391
Loans receivable	11	26,622	15,868
Convertible bond		8,872	–
Derivative component in convertible bond		73	–
Tax recoverable		79	–
Bank trust accounts balances		2,082	459
Bank balances and cash		725,543	825,485
		853,662	935,599
CURRENT LIABILITIES			
Accounts and other payables	12	14,123	13,071
Tax payable		326	105
		14,449	13,176
NET CURRENT ASSETS		839,213	922,423
TOTAL ASSETS LESS CURRENT LIABILITIES		1,382,846	1,361,695
NON-CURRENT LIABILITY			
Deferred tax liabilities		64	64
		64	64
		1,382,782	1,361,631
CAPITAL AND RESERVES			
Share capital	13	34,871	34,871
Reserves		1,341,984	1,321,591
Equity attributable to owners of the Company		1,376,855	1,356,462
Non-controlling interests		5,927	5,169
TOTAL EQUITY		1,382,782	1,361,631

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended	
	30 June 2017 USD'000 (Unaudited)	30 June 2016 USD'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	19,520	136,518
Adjustments for:		
Interest income	(11,060)	(4,764)
Amortisation and depreciation	1,451	25,448
Fair value changes of held for trading investments	(690)	1,304
Reversal of provision for impairment of inventories	–	(4,567)
Gain on disposal of available-for-sale investments	(533)	–
Finance cost	–	390
Written off of property, plant and equipment	–	3
Increase in fair value of investment properties	(6,445)	(386)
Fair value loss of derivative component in convertible bond	858	–
Fair value loss in conversion of convertible bond	–	205
Gain on disposal of mining business	–	(110,696)
Transaction cost for the disposal of mining business	–	12,158
Operating cash flows before movements in working capital	3,101	55,613
Increase in inventories	–	(564)
Increase in other receivable (non-current portion)	–	(3,101)
Decrease/(increase) in accounts and other receivables and deposits	3,564	(11,538)
(Increase)/decrease in bank trust accounts balances	(1,623)	98
Loans advanced to money lending customers	(53,259)	(145,253)
Repayment from money lending customers	42,100	92,485
Increase in accounts and other payables	1,052	11,325
Cash used in operations	(5,065)	(935)
Income taxes paid	(83)	(5,304)
Net cash used in Operating Activities	(5,148)	(6,239)

	For the six months ended	
	30 June	30 June
	2017	2016
	<i>USD'000</i>	<i>USD'000</i>
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,322)	(8,586)
Additions of exploration and evaluation assets	–	(2,150)
Purchase of available-for-sale investments	(121,929)	(53,508)
Purchase of convertible bond	(9,230)	–
Proceed from disposal of available-for-sale investments	36,946	–
Addition of intangible assets	(64)	–
Interest received	9,984	5,172
Acquisition of subsidiaries	–	5,518
Deferred cash proceed received from disposal of mining business	11,635	–
Net proceed from disposal of mining business	–	786,621
Transaction cost for the disposal of mining business paid	–	(3,289)
Net cash (used in)/from Investing Activities	(90,980)	729,778
Net (decrease)/increase in cash and cash equivalents	(96,128)	723,539
Cash and cash equivalents at beginning of the period	825,485	106,963
Effect of foreign exchange rate changes	(3,814)	(45)
Cash and cash equivalents at end of the period, represented by		
Bank Balances and Cash	725,543	830,457

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated 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 (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical basis, except for investment properties and certain financial instruments, which are measured at revalued amounts or fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the nature of their operations and types of products and services provided. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group has three (the six months ended 30 June 2016: four) operating business units which represent three (the six months ended 30 June 2016: four) operating segments, namely, principal investment business, financial services business and real property business (the six months ended 30 June 2016: principal investment business, financial services business, mining business and real property business). The Group disposed of the mining business during the six months ended 30 June 2016 and the operating segment regarding to the mining business was discontinued.

(a) **Segment revenue and results**

An analysis of the Group's revenue and results by operating segment is as follows:

For the six months ended 30 June 2017 (Unaudited)

	Principal investment business USD'000	Continuing operations Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income from financial products	6,926	–	–	6,926
Dividend and distribution income from financial products	1,082	–	–	1,082
Interest income from money lending business	–	1,351	–	1,351
Commission income from financial services	–	2,700	–	2,700
Interest income from margin financing	–	737	–	737
Rental income	–	–	526	526
Segment revenue	<u>8,008</u>	<u>4,788</u>	<u>526</u>	<u>13,322</u>
Segment results	<u>15,323</u>	<u>4,107</u>	<u>418</u>	<u>19,848</u>
Unallocated corporate expenses				(6,773)
Increase in fair value of investment properties				6,445
Profit before taxation				<u>19,520</u>

For the six months ended 30 June 2016 (Unaudited)

	Principal investment business USD'000	Continuing operations Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income from financial products	3,377	–	–	3,377
Dividend and distribution income from financial products	1,797	–	–	1,797
Interest income from money lending business	–	5,731	–	5,731
Commission income from financial services	–	363	–	363
Rental income	–	–	1,521	1,521
Segment revenue	<u>5,174</u>	<u>6,094</u>	<u>1,521</u>	<u>12,789</u>
Segment results	<u>4,651</u>	<u>5,590</u>	<u>1,499</u>	<u>11,740</u>
Unallocated corporate income				7
Unallocated corporate expenses				(4,335)
Increase in fair value of investment properties				386
Profit before taxation				<u>7,798</u>

(b) **Segment assets and liabilities**

An analysis of the Group's assets and liabilities by operating segment is as follows:

At 30 June 2017 (Unaudited)

	Principal investment business USD'000	Continuing operations		Total USD'000
		Financial services business USD'000	Real property business USD'000	
ASSETS				
Segment assets	<u>1,195,563</u>	<u>55,292</u>	<u>84,545</u>	1,335,400
Assets relating to discontinued operation				1,720
Unallocated corporate assets				<u>60,175</u>
Total assets				<u>1,397,295</u>
LIABILITIES				
Segment liabilities	<u>106</u>	<u>2,600</u>	<u>728</u>	3,434
Liabilities relating to discontinued operation				9,840
Unallocated corporate liabilities				<u>1,239</u>
Total liabilities				<u>14,513</u>

At 31 December 2016 (Audited)

	Principal investment business USD'000	Continuing operations		Total USD'000
		Financial services business USD'000	Real property business USD'000	
ASSETS				
Segment assets	<u>1,183,552</u>	<u>56,429</u>	<u>96,066</u>	1,336,047
Assets relating to discontinued operation				13,304
Unallocated corporate assets				<u>25,520</u>
Total assets				<u>1,374,871</u>
LIABILITIES				
Segment liabilities	<u>112</u>	<u>782</u>	<u>383</u>	1,277
Liabilities relating to discontinued operation				9,847
Unallocated corporate liabilities				<u>2,116</u>
Total liabilities				<u>13,240</u>

4. REVENUE

The following is an analysis of the Group's revenue from its major products and services:

	For the six months ended	
	30 June 2017 USD'000 (Unaudited)	30 June 2016 USD'000 (Unaudited)
Continuing operations		
Interest income from financial products	6,926	3,377
Dividend and distribution income from financial products	1,082	1,797
Interest income from money lending business	1,351	5,731
Commission income from financial services	2,700	363
Interest income from margin financing	737	–
Rental income	526	1,521
	<u>13,322</u>	<u>12,789</u>
Discontinued operation		
Sales of gold	–	71,374
Sales of silver	–	6,896
	<u>–</u>	<u>78,270</u>

5. TAXATION

Continuing operations

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

	For the six months ended	
	30 June 2017 USD'000 (Unaudited)	30 June 2016 USD'000 (Unaudited)
Hong Kong Profits Tax		
Current tax	226	13
Taxation for the period	<u>226</u>	<u>13</u>

6. PROFIT FOR THE PERIOD

	Continuing operations		Discontinued operation	
	For the six months ended		For the six months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	USD'000	<i>USD'000</i>	USD'000	<i>USD'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):				
Amortisation and depreciation of property, plant and equipment, included in				
– Cost of sales	–	–	–	23,282
– Administrative expenses	1,451	842	–	1,324
Royalties expense	–	–	–	607
Other taxes	–	–	–	539
Reversal of provision for impairment of inventories	–	–	–	(4,567)
Exchange (gain)/loss, net	(2,621)	(175)	–	72
Interest income	(13,148)	(4,757)	–	(7)

7. DIVIDEND

No dividend were paid or proposed during the six months ended 30 June 2017 nor has any dividend been proposed since the end of the reporting period.

During the six months ended 30 June 2016, a final dividend of HK0.44 cents per share in respect of the year ended 31 December 2015 was declared to be payable to the shareholders of the Company as at 30 June 2016. The amount of the final dividend declared to be payable as at 30 June 2016 amounted approximately USD15,064,000 (equivalent to approximately HKD117,000,000). Shareholders were given an option to receive the final dividend in cash or an allotment of scrip shares in lieu of cash.

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

	For the six months ended	
	30 June	30 June
	2017	2016
	<i>USD'000</i>	<i>USD'000</i>
	(Unaudited)	(Unaudited)
Profit for the period from continuing and discontinued operations attributable to owners of the Company	18,499	125,482
Less: profit for the period from discontinued operation	<u>–</u>	<u>(117,653)</u>
Profit for the period from continuing operations attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<u>18,499</u>	<u>7,829</u>
	Number of shares	
	30 June	30 June
	2017	2016
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>27,048,844,786</u>	<u>26,564,478,210</u>

From discontinued operation

Basic and diluted earnings per share for the discontinued operation for the six months ended 30 June 2016 was US0.44 cents per share, based on the profit for the period from the discontinued operation of USD117,653,000 and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Group's outstanding share options as the exercise price of those options is higher than the average market price for shares for the six months ended 30 June 2016 and 30 June 2017.

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 USD'000 (Unaudited)	31 December 2016 USD'000 (Audited)
Listed debt securities, at fair value		
Listed in Hong Kong		
Perpetual Securities at a floating rate of 7.5% per annum <i>(Note a, b)</i>	10,639	10,036
Listed outside Hong Kong		
Senior Notes with a fixed coupon interest of ranging from 2.375% to 12% (31 December 2016: from 4.875% to 12%) per annum and maturity dates from 15 January 2019 to 13 November 2024 (31 December 2016: from 15 January 2019 to 8 August 2021) <i>(Note a)</i>	127,158	100,657
Perpetual Notes at a floating rate of ranging from 6.375% to 7.625% (31 December 2016: from 6.375% to 7.375%) per annum and it is callable from 23 September 2019 to 30 March 2025 (31 December 2016: from 10 August 2021 to 30 March 2025) <i>(Note a, b)</i>	53,791	46,239
Senior Notes at a floating rate of ranging from 2.553% to 3.295% (31 December 2016: from 2.361% to 2.992%) per annum with the mature dates from 10 August 2021 to 28 October 2027 (31 December 2016: from 10 August 2021 to 1 September 2023) <i>(Note a, c)</i>	30,077	19,499
Unlisted securities		
Managed investment funds <i>(Note d)</i>	52,547	47,977
Other security investments <i>(Note e)</i>	122,204	48,974
Unlisted Perpetual Securities <i>(Note f)</i>	–	30,000
	<u>396,416</u>	<u>303,382</u>

Notes:

- (a) The listed Senior Notes, Perpetual Notes and Perpetual Securities were initially measured at fair value. The fair value at the end of reporting period is determined based on the quoted price from financial institutions supported by observable inputs. During the six months ended 30 June 2017, an increase in fair value of USD3,166,000 (the six months ended 30 June 2016: USD1,092,000) is recognised in the investment revaluation reserve.
- (b) The interest rate is subject to change at reset day with reset rate ranging from 3.705% to 6.314% (31 December 2016: from 3.705% to 6.301%) plus mid-market swap rate.
- (c) The interest rate is subject to change at reset day with reset rate ranging from 1.400% to 2.110% (31 December 2016: from 1.430% to 2.110%) plus 3 months LIBOR.

- (d) The Group held four (31 December 2016: four) unlisted investment funds which are managed by financial institutions investing real estate properties, financial products and unlisted equity investments respectively. The financial products include listed equity shares, straight bonds, convertible bonds, REITs, business trusts and derivatives. The fair value of the real estate properties is determined by the market transaction prices of similar properties of the relevant locations. The underlying financial products and unlisted equity investments are valued at quoted prices in the open market or observable prices of comparable investments, or measured using valuation techniques in which significant input is based on observable market data. During the period ended 30 June 2017, an increase in fair value of USD4,570,000 (the six months ended 30 June 2016: USD2,602,000) was recognised in the investment revaluation reserve.
- (e) The other security investments of the Group includes an investment with the carrying value of USD5,949,000 (30 June 2017: nil) which was stated at fair value as at 31 December 2016. In the absence of quoted market price in an active market, the fair value measurement is determined by the financial institution using valuation techniques including earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows. The valuation may be adjusted for factors such as non-maintainable earnings, tax risk, growth stage and cash traps as deemed necessary by the financial institution.

During the six months ended 30 June 2017, the Group received a return of capital of USD5,000,000 plus gain of USD233,000. The decrease in fair value of USD716,000 (the six months ended 30 June 2016: USD252,000) was recognised in the investment revaluation reserve.

The remaining investments through partnership or direct investment with an aggregate carrying value of USD122,204,000 (31 December 2016: USD43,025,000) represent eight (31 December 2016: seven) other security investments which were stated at cost less impairment loss as the range of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. As at 30 June 2017, three out of these eight (31 December 2016: seven) other security investments accounted for 80% (31 December 2016: 85%) of the aggregate carrying value, which the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry and health care industry and information technology companies on finance industry (31 December 2016: unlisted equity investments in information technology companies on consumer business and finance industry).

- (f) As at 31 December 2016, the balance represents investment in 9% perpetual securities (“Unlisted Perpetual Securities”) with principal amount of USD30,000,000. The issuer is a public limited company with its shares listed on the Main Board of the Hong Kong Stock Exchange.

The Unlisted Perpetual Securities were initially measured at fair value. In the absence of quoted market price in an active market, the fair value measurements are derived from valuation techniques using the discounted cash flow model that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). During the six months ended 30 June 2016, a decrease in fair value of USD740,000 (the six months ended 30 June 2017: nil) was recognised in the investment revaluation reserve.

During the six months ended 30 June 2017, the issuer redeemed the Unlisted Perpetual Securities and the Group received the principal of USD30,000,000 with gain of USD300,000.

10. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2017 USD'000 (Unaudited)	31 December 2016 USD'000 (Audited)
Accounts receivables from the business of dealing in securities:		
Cash and custodian clients (<i>Note a</i>)	9	72
Margin clients (<i>Note b</i>)	14,054	19,468
Clearing house (<i>Note a</i>)	32	12
Accounts receivables	14,095	19,552
Less: Impairment allowance (<i>Note c</i>)	–	–
Other receivables and deposits, net of allowance (<i>Note d</i>)	5,510	15,201
Less: Other receivable and deposits classified as non-current assets (<i>Note d</i>)	(1,964)	(13,357)
Accounts and other receivables classified as current assets	17,641	21,396

Notes:

- (a) The normal settlement terms of accounts receivables from cash and custodian client and securities clearing house are two business days after trade date. As at 30 June 2017 and 31 December 2016, accounts receivables from cash and custodian clients which are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two to three business days prior to the period end date. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of these accounts receivables.
- (b) Loans to securities margin clients are secured by clients' pledged securities with fair value of USD104,725,000 (31 December 2016: USD159,311,000). Significant portion of the pledged securities are listed equity securities in Hong Kong. The loans are repayable on demand subsequent to settlement date and carry interest typically at 8.5% to 13.5% (31 December 2016: 8.5% to 13.5%) per annum as at 30 June 2017. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

(c) Impairment loss on margin clients receivables

Impairment losses in respect of margin clients receivables are recorded using an allowance account unless the company is satisfied that recovery of the amount is remote, in which the impairment loss is written off against margin clients receivables directly.

The Group held collateral of listed equity securities with a fair value of USD104,725,000 (31 December 2016: USD159,311,000) at the end of the reporting period in respect of these loans. No impairment allowance has been made for margin loans with an aggregate outstanding balance of USD14,054,000 (31 December 2016: USD19,468,000) based on the Group's evaluation of their collectability.

(d) As at 30 June 2017, included in other receivable are deferred cash consideration recoverable amounting to USD1,720,000 (31 December 2016: USD13,304,000) in relation to the disposal of the mining business.

11. LOANS RECEIVABLE

	30 June 2017 USD'000 (Unaudited)	31 December 2016 USD'000 (Audited)
Fixed-rate loans receivable	26,878	15,868
Less: loans receivable classified as non-current assets	(256)	–
Loans receivable classified as current asset	<u>26,622</u>	<u>15,868</u>

The range of effective interest rate (which is fixed rates, also equal to contractual interest rates) on the Group's loans receivable is 7.5% to 36.0% per annum (31 December 2016: 7.5% to 35.0% per annum). The contractual maturity date of the loans receivable ranges from less than one month to eighteen months (31 December 2016: less than one month to two years) and are all denominated in HKD.

At 30 June 2017, the Group's fixed-rate loans receivable of USD26,878,000 (31 December 2016: USD15,868,000) are unsecured.

As at 30 June 2017, included in the Group's loans receivable balance, an aggregate carrying amount of USD103,000 (31 December 2016: USD3,902,000) which is past due as at the reporting date for which the Group has not provided for impairment loss. Management believes that no impairment allowance is necessary in respect of the loans receivable as there is no significant change in credit quality and the balances are still considered fully recoverable.

12. ACCOUNTS AND OTHER PAYABLES

	30 June 2017	31 December 2016
	<i>USD'000</i>	<i>USD'000</i>
	(Unaudited)	(Audited)
Accounts payables from the business of dealing in securities: <i>(Note a)</i>		
Cash and custodian clients	290	284
Margin clients	1,834	230
Other payables <i>(Note b)</i>	11,999	12,557
Accounts and other payables	14,123	13,071

Notes:

- (a) The normal settlement terms of accounts payable to clients are two business days after trade date. No ageing analysis is disclosed for the accounts payables from the business of dealing in securities, in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.
- (b) As at 30 June 2017, included in other payables are USD9,840,000 (31 December 2016: USD9,847,000) relating to the liabilities arising from the disposal of mining business.

13. SHARE CAPITAL

	Number of shares	Value <i>USD'000</i>
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2016 (Audited), 31 December 2016 (Audited) and 30 June 2017 (Unaudited)	<u>60,000,000,000</u>	<u>76,923</u>
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2016 (Audited)	26,564,478,210	34,246
Issue of shares in lieu of cash dividends <i>(Note a)</i>	<u>484,366,576</u>	<u>625</u>
At 31 December 2016 (Audited) and 30 June 2017 (Unaudited)	<u>27,048,844,786</u>	<u>34,871</u>

Note:

- (a) On 8 August 2016, the Company issued and allotted 484,366,576 new ordinary shares of HKD0.01 each at an issue price of HKD0.1442 per share to the shareholders who elected to receive shares in the Company in lieu of cash for the 2015 Final Dividend pursuant to the scrip dividend scheme announced by the Company on 29 June 2016. Accordingly, USD625,000 (equivalent to HKD4,844,000) was credited to share capital and USD8,383,000 (equivalent to HKD65,002,000) was credited to share premium.

All the shares issued by the Company during the year ended 31 December 2016 rank *pari passu* with the then existing ordinary shares in all respects.

14. OTHER COMMITMENTS

At the end of the reporting period, the Group had the following other commitments:

	At 30 June	At 31 December
	2017	2016
	<i>USD'000</i>	<i>USD'000</i>
	(Unaudited)	(Audited)
Other commitments contracted for but not provided for in the condensed consolidated financial statements in respect of capital contribution in other securities investments which are recognised as available-for-sale investments	<u>54,915</u>	<u>29,140</u>

INTERIM DIVIDEND

The Board does not recommend the proposal and payment of an interim dividend for the six months ended 30 June 2017 (no interim dividend was proposed or paid for 2016).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Results

Below is a summary of the financial information:

	For the six months ended	
	30 June 2017	30 June 2016
	<i>USD'000</i>	<i>USD'000</i>
For continuing operations:		
Revenue	13,322	12,789
Administrative expenses	7,714	5,748
EBITDA	20,971	8,640
Profit before taxation	19,520	7,798
Profit for the period from continuing operations	19,294	7,785
Analysis of Profit before taxation from continuing operations:		
(i) Principal Investment Business	15,323	4,651
(ii) Financial Services Business	4,107	5,590
(iii) Real Property Business	418	1,499

Review of continuing operations

The Group's net profit for the period attributable to owners of the Company from continuing operations was USD18.5 million (the six months ended 30 June 2016: USD7.8 million). The main reason for the increase in profit was due to the increase in interest income from financial products and margin financing and commission income from financial services during the period. The increase in other income was however partially offset by the decrease of rental income due the tenancy agreements transition period.

Revenue was USD13.3 million (the six months ended 30 June 2016: USD12.8 million), mainly generated by interest income from financial products, margin financing and money lending business and commission income from financial services. The revenue increase was also contributed by the increase of commission income from financial services.

Administrative expenses was USD7.7 million for the period ended 30 June 2017, achieving an increase of USD2.0 million as compared to the corresponding six months period ended 30 June 2016 of USD5.7 million. Such increase was partly due to the increase in activities in the Financial Services Business for the period ended 30 June 2017 and expenses incurred in searching for new business opportunities.

(i) Principal Investment Business

During the period, the Group invested approximately USD131.2 million in listed and unlisted financial assets, which included mainly bonds, convertible bond and unlisted other security investments. For the six months ended 30 June 2017, the Group recorded realised and unrealised gain of USD6.9 million, and interest income, dividend income and distribution income of USD8.0 million from the financial assets held by the Group.

As at 30 June 2017, the Group held approximately USD478.1 million non-cash financial assets, as follows:

	30 June 2017 USD'000	31 December 2016 USD'000
Listed shares	72,750	72,391
Listed debt securities	221,665	176,431
Unlisted managed investment funds	52,547	47,977
Unlisted other security investments	122,204	48,974
Perpetual securities	–	30,000
Convertible bond	8,872	–
Derivative component in convertible bond	73	–
Total	<u>478,111</u>	<u>375,773</u>

There was no single investment (for example, available-for-sale investments and financial assets at fair value through profit or loss) in the Group's diversified investment portfolio that was considered a significant investment given that none of the investments has a carrying amount accounting for more than 5% of the Group's total assets as at 30 June 2017.

(ii) Financial Services Business

After the Group purchased 75% of the ordinary shares of the Enhanced Financial Services Group Limited (“EFS”) in 2016, the commission income contributed by EFS during the period was USD2.7 million (the six months ended 30 June 2016: USD0.4 million).

The Group lent out USD53.3 million and received USD42.1 million repayments during the period. There were no bad debts recorded in the six months period. Interest income from money lending business and margin financing amounted to USD2.1 million (the six months ended 30 June 2016: USD5.7 million). The profit before taxation amounted to USD4.1 million (the six months ended 30 June 2016: USD5.6 million).

As at 30 June 2017, the fixed-rate loans receivable amounted to USD26.9 million.

(iii) Real Property Business

The Group had three floors of commercial office and ten car parks located in Wanchai, Hong Kong. The rental income earned and the profit before taxation were USD526,000 and USD418,000 for the six months period respectively.

Review of Group Financial Position

	30 June	31 December
	2017	2016
	USD'000	USD'000
Current Assets		
Bank balances and cash	725,543	825,485
Held for trading investments	72,750	72,391
Loans receivable	26,622	15,868
Convertible bond	8,872	–
Others	19,875	21,855
Non-current Assets		
Available-for-sale investments	396,416	303,382
Loans receivable	256	–
Others	146,961	135,890
Total Assets	1,397,295	1,374,871
Other Liabilities	(14,513)	(13,240)
Net Assets	1,382,782	1,361,631

As at 30 June 2017, the total assets amounted to USD1,397.3 million (31 December 2016: USD1,374.9 million), representing an increase of USD22.4 million, which was mainly contributed by the profit from operations. As at 30 June 2017, among the total assets, the non-current assets amounted to USD543.6 million (31 December 2016: USD439.3 million), representing an increase of USD104.3 million and the current assets amounted to USD853.7 million (31 December 2016: USD935.6 million), representing to a decrease of USD81.9 million, which was mainly due to the net increase in available-for-sale investments of USD93.0 million under non-current assets and partial offset by the increase in convertible bond of USD8.9 million under current assets and decrease in bank balances and cash of USD100 million.

Net Asset Value

As at 30 June 2017, the Group's total net assets amounted to approximately USD1,382.8 million, representing an increase of USD21.2 million as compared to approximately USD1,361.6 million as at 31 December 2016. The increase in net assets was mainly due to the profit for the period for continuing operations of USD19.3 million.

Cash Flow, Liquidity and Financial Resources

Cash Flow Summary

	For the six months ended	
	30 June 2017 USD'000	30 June 2016 USD'000
Net cash used in Operating Activities	(5,148)	(6,239)
Net cash (used in)/from Investing Activities	(90,980)	729,778
Net (decrease)/increase in cash and cash equivalents	(96,128)	723,539
Cash and cash equivalents at beginning of the period	825,485	106,963
Effect of foreign exchange rate changes	(3,814)	(45)
Cash and cash equivalents at end of the period	<u>725,543</u>	<u>830,457</u>

The Group's cash balance at the end of June 2017 was USD725.5 million (31 December 2016: USD825.5 million). The Group generated net cash outflows from operating activities for the period ended 30 June 2017 of USD5.1 million, which was mainly contributed to working capital of operations of financial services business during the period. Cash used in investing activities was USD91.0 million as USD131.2 million invested in available-for-sale investments and convertible bond and set off with USD36.9 million proceed from disposal of available-for-sale investments.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 30 June 2017 and 31 December 2016 as the Group did not have any borrowings as at the end of the reporting periods.

Capital Structure of the Group

The capital structure of the Group has not changed materially since 31 December 2016.

Material Acquisitions and Disposals

On 10 February 2017, Top Concept Global Limited (“TCGL”), an indirect wholly-owned subsidiary of the Company, Empire Gain International Limited (“Original Investor”), Edge Special Opportunity Limited (“Edge Special”) and ZQ Capital Services Limited (“ZQ Capital”) entered into the deed of novation (“Novation Deed”) pursuant to which the Original Investor transferred to TCGL, and TCGL accepted the transfer of, all the rights and outstanding obligations of the Original Investor under the investment agreement dated 12 December 2016 entered into among Edge Special, ZQ Capital and the Original Investor, subject to the terms of the Novation Deed.

On 28 April 2017, Classic Idea Investments Limited (“Transferee”), an indirect wholly-owned subsidiary of the Company, entered into the transfer agreement with Dundee Greentech Limited (“Transferor”) and Genesis Capital Ltd (“General Partner”), pursuant to which the Transferor conditionally agreed to transfer and assign, and the Transferee conditionally agreed to assume the limited partnership interest in Genesis Capital I LP, a Cayman Islands exempted limited partnership (the “Fund”) represented by a capital commitment of USD80.0 million (equivalent to approximately HKD624.0 million) to the Fund, representing 20% of the total capital commitment to the Fund for a consideration of USD38,613,838 (equivalent to approximately HKD301.2 million).

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the period.

Exposure to Fluctuations in Exchange Rates and Related Hedge

The Group conducted most of its business in United States dollars (“USD”) and Hong Kong dollars (“HKD”). The foreign currency exposure of HKD to USD is minimal as HKD is pegged to USD.

The management will continue to monitor the Group’s foreign currency exposure and consider other hedging policies should the need arise.

Pledge of Assets

As at 30 June 2017, no assets of the Group had been pledged.

Business Outlook

In 2017, despite uncertainties in global markets continue, the Company will continue to develop its three principal business segments, namely the principal investment business, financial services business and real property business.

The Company shall continue to look for investment opportunities in different sectors and different countries (including United States and United Kingdom) with a view to attain better risk-balanced investment returns.

The Company continued to see a market for short term loans of higher interest rate in Hong Kong and cautiously developing the business of EFS which is our 75% owned subsidiary to a financial services group which can provide a full range of financial services.

On the real property business of the Group, the Group remains confident in the property market in Hong Kong. However, the Group is cautious of the sustainability of the current property price level. The Group will continue to search for investment opportunities in Hong Kong and other countries (including Northern America and Europe) for its real property business.

Human Resources

As at 30 June 2017, the Group had 42 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include a medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

According to the new share option scheme adopted by the Company on 18 June 2014, share options may be granted to directors and eligible employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS

Save as disclosed in the annual report of the Company for the year ended 31 December 2016, the changes of Directors during the six months ended 30 June 2017 and thereafter are as follows:

On 30 June 2017, Dr. Or Ching Fai retired as the vice-chairman of the Company, an independent non-executive Director, a chairman of both of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee of the Company.

On 17 July 2017, Mr. Lo Wa Kei, Roy was appointed as an independent non-executive Director, chairman of both of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with the Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2017, except for the deviation as set out below:

- (i) Code provision A.4.1 under the Corporate Governance Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. As at 30 June 2017, Dr. Or Ching Fai, the independent non-executive Director, did not have a specific term of appointment but was subject to retirement by rotation and re-election at the annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices. Subsequent to the retirement of Dr. Or Ching Fai retired as the independent non-executive Director on 30 June 2017, Mr. Lo Wa Kei, Roy was appointed as the independent non-executive Director on 17 July 2017. In order to adhere to code provision A.4.1, the term of office of Mr. Lo Wa Kei, Roy is three years and will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company’s Bye-laws;

- (ii) Mr. Chiu Tao has become acting Chief Executive Officer (“CEO”) of the Company from 30 June 2015. The Board has not yet identified suitable candidate to fill in the vacancy for CEO in compliance with the requirement of the code provision A.2.1 under the Corporate Governance Code. Under code provision A.2.1, the roles of chairman and CEO should be separated and should not be performed by the same individual. Mr. Chiu Tao, who acts as the chairman and the acting CEO of the Company, is also responsible for the overall business strategy and development and management of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and the CEO. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole; and
- (iii) Following the retirement of Dr. Or Ching Fai on 30 June 2017, the Board had only two independent non-executive Directors, thus fell below the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and deviated code provision A.5.1 of the Corporate Governance Code. Following the appointment of Mr. Lo Wa Kei, Roy on 17 July 2017, the Company has complied with the relevant Listing Rules and code provision under the Corporate Governance Code as stated above.

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”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Enquiry has been made of all Directors, and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee, with terms of reference in compliance with the provisions set out in the Corporate Governance Code, comprises three members who were all independent non-executive Directors for the six months ended 30 June 2017. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters. The interim report for the six months ended 30 June 2017 (the “2017 Interim Report”) has been reviewed by the Company’s Audit Committee and the Company’s auditors, Deloitte Touche Tohmatsu.

INTERIM REPORT

The 2017 Interim Report will be despatched to the shareholders and made available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.g-resources.com) on or before 30 September 2017.

By Order of the Board
G-Resources Group Limited
Leung Oi Kin
Executive Director and Company Secretary

Hong Kong, 28 August 2017

As at the date of this announcement, the Board comprises:

- (i) Mr. Chiu Tao, Mr. Ma Xiao, Mr. Wah Wang Kei, Jackie and Mr. Leung Oi Kin as executive Directors; and*
- (ii) Mr. Lo Wa Kei, Roy, Mr. Chen Gong and Mr. Martin Que Meideng as independent non-executive Directors.*

* *For identification purpose only*