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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)

FINAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the “Board”) of G-Resources Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	2018 USD'000	2017 USD'000
Revenue			
Interest income	3	20,326	17,210
Dividend and distribution income	3	10,865	7,608
Fee and commission income	3	896	3,720
Rental income	3	2,186	1,585
		<u>34,273</u>	<u>30,123</u>
Other income		10,443	10,389
Administrative expenses		(13,924)	(17,620)
Gain on disposal of investments in debt instruments measured at amortised cost		1,549	–
Gain on disposal of available-for-sale investments		–	3,546
Fair value changes of financial assets at fair value through profit or loss		8,609	–
Fair value changes of held for trading investments		–	6,860
Reversal of expected credit losses on financial assets, net of provision		268	–
Gain on disposal of a subsidiary		93	–
Fair value loss recognised upon remeasurement of derivative component in convertible bond investment upon redemption		–	(929)
Increase in fair value of investment properties		10,896	6,943
Provision of impairment on non-financial assets	5	(7,138)	(10,587)
Other gain		4,181	3,972
Finance cost		(644)	(128)
Share of results of associates		(231)	(33)
Profit before taxation		<u>48,375</u>	<u>32,536</u>
Taxation	4	(46)	(374)
Profit for the year	5	<u>48,329</u>	<u>32,162</u>
Profit for the year attributable to:			
Owners of the Company		48,208	31,249
Non-controlling interests		121	913
		<u>48,329</u>	<u>32,162</u>
Earnings per share			
– Basic and diluted (US cent)	7	<u>0.18</u>	<u>0.12</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 USD'000	2017 USD'000
Profit for the year	48,329	32,162
Other comprehensive (expenses)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(5,606)	(7,852)
Fair value loss on financial assets at fair value through other comprehensive income	(5,243)	–
	<u>(10,849)</u>	<u>(7,852)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	721	2,349
Release of exchange reserve upon disposal of a subsidiary	(93)	–
Fair value gain on available-for-sale investments	–	4,914
Reclassification upon disposal of available-for-sale investments	–	(3,546)
	<u>628</u>	<u>3,717</u>
Other comprehensive expenses for the year	<u>(10,221)</u>	<u>(4,135)</u>
Total comprehensive income for the year	<u>38,108</u>	<u>28,027</u>
Total comprehensive income/(expenses) for the year attributable to:		
Owners of the Company	39,312	27,156
Non-controlling interests	(1,204)	871
	<u>38,108</u>	<u>28,027</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>NOTES</i>	2018 USD'000	2017 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		18,576	48,164
Investment properties		94,095	83,384
Financial assets at fair value through profit or loss		160,612	–
Financial assets at fair value through other comprehensive income		15,852	–
Investments in debt instruments measured at amortised cost		177,650	–
Available-for-sale investments		–	379,728
Other receivables and deposits	8	789	1,906
Interests in associates		664	898
Intangible assets		1,746	515
Goodwill		17,972	1,469
		<u>487,956</u>	<u>516,064</u>
CURRENT ASSETS			
Accounts and other receivables	8	27,669	14,037
Loans receivable		1,185	15,266
Investments in debt instruments measured at amortised cost		4,147	–
Financial assets at fair value through profit or loss		57,189	–
Held for trading investments		–	78,719
Tax recoverable		–	79
Bank trust accounts balances		28,342	1,284
Bank balances and cash		887,070	780,142
		<u>1,005,602</u>	<u>889,527</u>
Non-current asset classified as held for sale		10,000	–
		<u>1,015,602</u>	<u>889,527</u>
CURRENT LIABILITIES			
Other borrowings		13,381	–
Accounts and other payables	9	44,213	15,395
Tax payable		490	474
		<u>58,084</u>	<u>15,869</u>
NET CURRENT ASSETS		<u>957,518</u>	<u>873,658</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,445,474</u>	<u>1,389,722</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		288	64
		<u>288</u>	<u>64</u>
		<u>1,445,186</u>	<u>1,389,658</u>
CAPITAL AND RESERVES			
Share capital	10	34,871	34,871
Reserves		1,406,060	1,348,747
Equity attributable to owners of the Company		1,440,931	1,383,618
Non-controlling interests		4,255	6,040
TOTAL EQUITY		<u>1,445,186</u>	<u>1,389,658</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 USD'000	2017 USD'000
OPERATING ACTIVITIES		
Profit before taxation	48,375	32,536
Adjustments for:		
Interest income	(28,290)	(23,444)
Depreciation of property, plant and equipment	2,231	3,341
Provision of impairment on non-financial assets	7,138	10,587
Fair value changes of financial assets at fair value through profit or loss	(8,609)	–
Fair value changes of held for trading investments	–	(6,860)
Gain on disposal of investments in debt instruments measured at amortised cost	(1,549)	–
Reversal of expected credit losses on financial assets, net of provision	(268)	–
Gain on disposal of a subsidiary	(93)	–
Finance cost	644	128
Increase in fair value of investment properties	(10,896)	(6,943)
Share of results of associates	231	33
Gain on disposal of available-for-sale investments	–	(3,546)
Fair value loss recognised upon remeasurement of derivative component in convertible bond investment upon redemption	–	929
Operating cash flows before movements in working capital	8,914	6,761
Increase in other receivable and deposits	–	(254)
(Increase)/decrease in accounts and other receivables	(523)	7,848
Loans advanced to money lending customers	(42,057)	(93,448)
Repayments from money lending customers	56,042	93,929
Decrease in financial assets at fair value through profit or loss	13,819	–
Decrease/(increase) in bank trust accounts balances	691	(831)
(Decrease)/increase in accounts and other payables	(146)	2,401
Decrease in held for trading investments	–	117
Cash generated from operations	36,740	16,523
Income taxes paid	–	(82)
Net cash from Operating Activities	36,740	16,441

	2018 USD'000	2017 USD'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32)	(18,871)
Acquisition of interests in associates	–	(934)
Purchase of financial assets at fair value through profit or loss	(40,820)	–
Purchase of financial assets at fair value through other comprehensive income	(21,087)	–
Purchase of investments in debt instruments measured at amortised cost	(38,898)	–
Proceeds from disposal of investments in debt instruments measured at amortised cost	42,691	–
Proceeds from disposal of financial assets at fair value through profit or loss	51,480	–
Proceeds from return of capital of financial assets at fair value through profit or loss	9,677	–
Proceeds from disposal of property, plant and equipment through disposal of a subsidiary	12,148	–
Net proceeds from disposal of subsidiaries	37,490	–
Acquisition of subsidiaries	(21,124)	–
Interest received	28,988	23,523
Receipt of deferred cash consideration in relation to disposal of mining business	1,703	11,635
Purchase of available-for-sale investments	–	(152,123)
Proceeds from disposal of available-for-sale investments	–	65,894
Proceeds from return of capital of available-for-sale investments	–	14,821
Purchase of convertible bond investment	–	(9,230)
Proceeds from redemption of convertible bond investment	–	8,961
Addition of intangible assets	–	(64)
Net cash from/(used in) Investing Activities	62,216	(56,388)
FINANCING ACTIVITIES		
New other borrowings raised	28,070	23,099
Repayment of other borrowings	(14,696)	(23,099)
Interest expenses paid	(562)	(128)
Dividend paid to non-controlling shareholder	(447)	–
Net cash from/(used in) Financing Activities	12,365	(128)
Net increase/(decrease) in cash and cash equivalents	111,321	(40,075)
Cash and cash equivalents at beginning of the year	780,142	825,485
Effect of foreign exchange rate changes	(4,393)	(5,268)
Cash and cash equivalents at end of the year, represented by Bank Balances and Cash	887,070	780,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“HKAS”s), Hong Kong Financial Reporting Standards (“HKFRS”s), amendments and an interpretation (hereinafter collectively referred to as “New and Revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying <i>HKFRS 9 Financial Instruments</i> with <i>HKFRS 4 Insurance Contracts</i>
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year and/or disclosures set out in the consolidated financial statements.

1.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded *HKAS 18 Revenue*, *HKAS 11 Construction Contracts* and the related interpretations.

The Group recognises revenue from commission income and handling charges from financial service which arise from contracts with customers.

Information about the Group’s performance obligations resulting from application of HKFRS 15 are disclosed in note 3.

1.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current year, the Group has applied *HKFRS 9 Financial Instruments* and the related consequential amendments to other HKFRSs. The new requirements introduced by HKFRS 9 that are applicable to the Group are for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses (“ECL”) for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under *HKAS 39 Financial Instruments: Recognition and Measurement*.

1.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available- for-sales investments USD'000	Held for trading investments USD'000	Financial assets at fair value through profit or loss USD'000	Investments in debt instruments measured at amortised cost USD'000	Financial assets classified as loans and receivables USD'000	Investment revaluation reserve USD'000	Retained earnings USD'000	Non- controlling interests USD'000
Closing balance at 31 December 2017								
– HKAS 39	379,728	78,719	–	–	812,143	14,027	303,795	6,040
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sale investments (note a)	(379,728)	–	176,462	195,970	–	(14,027)	6,731	–
From held for trading investments (note b)	–	(78,719)	78,719	–	–	–	–	–
Remeasurement								
From cost less impairment to fair value (note a)	–	–	25,820	–	–	–	25,820	–
Impairment under ECL model (note c)	–	–	–	(121)	(536)	–	(523)	(134)
	<u>(379,728)</u>	<u>(78,719)</u>	<u>281,001</u>	<u>195,849</u>	<u>(536)</u>	<u>(14,027)</u>	<u>32,028</u>	<u>(134)</u>
Opening balance at 1 January 2018 (restated)	<u>–</u>	<u>–</u>	<u>281,001</u>	<u>195,849</u>	<u>811,607</u>	<u>–</u>	<u>335,823</u>	<u>5,906</u>

Notes:

(a) Available-for-sale investments

From available-for-sale investments – listed debt securities to investments in debt instruments measured at amortised cost

At the date of initial application of HKFRS 9, certain investments in listed bonds with a fair value of USD203,266,000 were reclassified from available-for-sale investments to investments in debt instruments measured at amortised cost since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The carrying amounts were adjusted to amortised cost of USD195,970,000, with corresponding reversal of fair value gains of USD7,296,000 previously recognised in investment revaluation reserve.

From available-for-sale investments – unlisted securities to financial assets at fair value through profit or loss (“financial assets at FVTPL”)

At the date of initial application of HKFRS 9, investments in unlisted investment funds with a fair value of USD48,107,000 were reclassified from available-for-sale investments to financial assets at FVTPL. Related fair value gains of USD6,731,000 were transferred from the investment revaluation reserve to retained earnings as at 1 January 2018. Furthermore, investments in other security investments of USD128,355,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of USD25,820,000 relating to those investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018.

(b) Held for trading investments to financial assets at FVTPL

The Group has reassessed its investments in equity securities classified as held for trading investments under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, USD78,719,000 of the Group's investments were held for trading and continued to be measured at fair value through profit or loss.

(c) Impairment under ECL model

Loss allowances for accounts receivables, loans receivable, investments in debt instruments measured at amortised cost and other financial assets at amortised cost mainly comprise of other receivables, bank trust accounts balances and bank balances and cash, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of USD523,000 and USD134,000 has been recognised against retained earnings and non-controlling interests respectively.

All loss allowances for financial assets including accounts receivables, loans receivable, investments in debt instruments measured at amortised cost and others (including other receivables, bank trust accounts balances and bank balances and cash) as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Impairment allowance under incurred loss model (HKAS 39) USD'000	Impairment allowance under remeasurement USD'000	Impairment allowance under ECL model (HKFRS 9) USD'000
Loans receivable	–	536	536
Investments in debt instruments measured at amortised cost (previously classified as available-for-sales investments under HKAS 39)	–	121	121
	<u>–</u>	<u>657</u>	<u>657</u>

2. 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 (2017: three) operating business units which represent three (2017: three) operating segments, namely, principal investment business, financial services business and real property business.

(a) Segment revenue and results

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

For the year ended 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	17,950	2,376	–	20,326
Dividend and distribution income	8,355	2,510	–	10,865
Fee and commission income	–	896	–	896
Rental income	–	–	2,186	2,186
Segment revenue	<u>26,305</u>	<u>5,782</u>	<u>2,186</u>	<u>34,273</u>
Segment results	<u>47,315</u>	<u>1,466</u>	<u>2,186</u>	<u>50,967</u>
Unallocated corporate income				3,311
Unallocated corporate expenses				(9,661)
Increase in fair value of investment properties				10,896
Provision of impairment on non-financial assets				(7,138)
Profit before taxation				<u>48,375</u>

For the year ended 31 December 2017

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	13,436	3,774	–	17,210
Dividend and distribution income	7,608	–	–	7,608
Fee and commission income	–	3,720	–	3,720
Rental income	–	–	1,585	1,585
Segment revenue	<u>21,044</u>	<u>7,494</u>	<u>1,585</u>	<u>30,123</u>
Segment results	<u>44,458</u>	<u>5,851</u>	<u>1,154</u>	<u>51,463</u>
Unallocated corporate expenses				(15,283)
Increase in fair value of investment properties				6,943
Provision of impairment on non-financial assets				(10,587)
Profit before taxation				<u>32,536</u>

Segment results represent the profit earned or generated by each segment without allocation of central administration costs, corporate income, increase in fair value of investment properties and provision of impairment on non-financial assets. This is the measure reported to the executive directors of the Company for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

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

At 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	<u>1,279,917</u>	<u>100,502</u>	<u>94,310</u>	<u>1,474,729</u>
Unallocated corporate assets				<u>28,829</u>
Total assets				<u>1,503,558</u>
LIABILITIES				
Segment liabilities	<u>121</u>	<u>46,552</u>	<u>805</u>	<u>47,478</u>
Liabilities relating to discontinued operation				<u>9,839</u>
Unallocated corporate liabilities				<u>1,055</u>
Total liabilities				<u>58,372</u>

At 31 December 2017

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	1,228,356	40,855	85,677	1,354,888
Assets relating to discontinued operation				1,691
Unallocated corporate assets				49,012
Total assets				<u>1,405,591</u>
LIABILITIES				
Segment liabilities	109	1,986	909	3,004
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				3,090
Total liabilities				<u>15,933</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segment other than certain property, plant and equipment, other receivables and non-current asset classified as held for sale.
- all liabilities are allocated to operating segment other than certain other payables.

(c) **Other segment information**

For the year ended 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	19,745	–	5	19,750
Additions to financial assets at FVTPL	40,820	83	–	–	40,903
Additions to financial assets at fair value through other comprehensive income	–	21,087	–	–	21,087
Additions to investments in debt instruments measured at amortised cost	38,898	–	–	–	38,898
Depreciation	–	(15)	–	(2,216)	(2,231)
Finance cost	–	(644)	–	–	(644)
Share of results of associates	–	(231)	–	–	(231)
Fair value change of financial assets at FVTPL	8,605	4	–	–	8,609
Gain on disposal of investments in debt instruments measured at amortised cost	1,549	–	–	–	1,549
Interest income (including interest on bank deposits)	28,270	2,396	–	–	30,666

For the year ended 31 December 2017

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	78	–	18,888	18,966
Additions to available-for-sale investments	152,123	–	–	–	152,123
Acquisition of interests in associates	–	934	–	–	934
Depreciation	–	(11)	–	(3,330)	(3,341)
Finance cost	–	(128)	–	–	(128)
Share of results of associates	–	(33)	–	–	(33)
Fair value change of held for trading investments	6,860	–	–	–	6,860
Gain on disposal of available-for-sale investments	3,546	–	–	–	3,546
Interest income (including interest on bank deposits)	23,418	3,782	18	–	27,218

Note: Non-current assets excluded financial assets at FVTPL, financial assets at fair value through other comprehensive income (“financial assets at FVTOCI”), investments in debt instruments measured at amortised cost and other receivables and deposits (2017: available-for-sale investments and other receivables and deposits).

(d) Geographical information

The following table sets out (i) information about the geographical location of the Group’s revenue from external customers determined based on the location of financial products, the location of financial services business operated and location of properties in the case of rental income and (ii) information of the non-current assets by the geographical area in which the assets are located are detailed below:

	Segment revenue		Non-current assets excluding financial instruments	
	2018 USD'000	2017 USD'000	2018 USD'000	2017 USD'000
Singapore	3,760	6,899	–	–
Hong Kong	20,839	14,638	133,053	134,430
United States of America	643	4,066	–	–
Europe	5,423	3,950	–	–
Others	3,608	570	–	–
	34,273	30,123	133,053	134,430

Note: Non-current assets excluded financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments measured at amortised cost and other receivables and deposits (2017: available-for-sale investments and other receivables and deposits).

(e) Information about major customers

For the year ended 31 December 2018, two (2017: one) customers contributed over 10% of the total revenue with the amount of USD11,419,000 (2017: USD3,644,000) from principal investment business (2017: principal investment business).

3. REVENUE

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

	2018 USD'000	2017 USD'000
Interest income from financial products	10,069	13,436
Interest income from money lending business	1,142	2,401
Interest income from margin financing	1,234	1,373
Interest income from financial institutions' term deposits	7,881	–
Interest income	<u>20,326</u>	<u>17,210</u>
Dividend and distribution income from financial products	10,865	7,608
Commission income and handling charges from financial services	896	3,720
Rental income	2,186	1,585
	<u><u>34,273</u></u>	<u><u>30,123</u></u>

The Group's performance obligations in contracts with customers in accordance with HKFRS 15 set out below:

Commission income and handling charges from financial services

The Group provides financial services to customers which mainly include securities trading and placing services. Such service income is recognised at a point in time when a performance obligation is satisfied.

4. TAXATION

	2018 USD'000	2017 USD'000
Current tax – Hong Kong Profits Tax		
Charge for the year	96	374
Under-provision in prior year	14	–
Deferred tax	(64)	–
Taxation for the year	<u><u>46</u></u>	<u><u>374</u></u>

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

5. PROFIT FOR THE YEAR

	2018 USD'000	2017 USD'000
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments	1,416	1,390
– Other staff costs	2,844	3,301
– Contributions to retirement benefits schemes, excluding directors	84	75
Total staff costs	<u>4,344</u>	<u>4,766</u>
Auditors' remuneration	199	234
Depreciation of property, plant and equipment	2,231	3,341
Operating lease payments in respect of office premises and warehouse	803	819
Provision of impairment on non-financial assets		
– Property, plant and equipment	5,159	10,587
– Goodwill	1,466	–
– Intangible assets	513	–
	<u>7,138</u>	<u>10,587</u>
Exchange gain, net, included in other gain	(4,181)	(3,972)
Interest income	(30,666)	(27,218)

6. DIVIDEND

No dividend for the years ended 31 December 2017 and 2018 was declared, proposed, or paid for ordinary shareholders of the Company during the year of 2018 and since the end of the reporting period.

7. EARNINGS PER SHARE

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

	2018 USD'000	2017 USD'000
Profit for the year attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<u>48,208</u>	<u>31,249</u>
	Number of shares	
	<u>2018</u>	<u>2017</u>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>27,048,844,786</u>	<u>27,048,844,786</u>

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 years ended 31 December 2017 and 2018.

8. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	2018 USD'000	2017 USD'000
Accounts receivables from the business of dealing in securities	14,461	10,667
Accounts receivables from the business of dealing in futures contracts	705	–
Accounts receivables (Note a)	<u>15,166</u>	10,667
Other receivables and deposits	13,294	5,276
Less: Impairment allowance	(2)	–
	<u>28,458</u>	15,943
Less: Other receivables and deposits classified as non-current assets	(789)	(1,906)
Accounts and other receivables classified as current assets	<u><u>27,669</u></u>	<u><u>14,037</u></u>

Note:

- (a) The majority of the accounts receivables from the business of dealing in securities and futures contracts are repayable on demand except for certain accounts receivables from the business of dealing in securities are repayable on the settlement date, which is two business days after trade date. No ageing analysis is disclosed for the accounts receivables from the business of dealing in securities and futures contracts 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 businesses.

9. ACCOUNTS AND OTHER PAYABLES

	2018 USD'000	2017 USD'000
Accounts payables from the business of dealing in securities	30,563	1,341
Accounts payables from the business of dealing in futures contracts	1,371	–
Accounts payables (Note a)	<u>31,934</u>	1,341
Other payables	12,279	14,054
	<u><u>44,213</u></u>	<u><u>15,395</u></u>

Note:

- (a) The majority of the accounts payables from the business of dealing in securities and futures contracts are repayable on demand except for certain accounts payables from the business of dealing in securities are repayable on settlement date, which is two business days after trade date. No ageing analysis is disclosed for the accounts payables from the business of dealing in securities and futures contracts as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of these businesses.

10. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>60,000,000,000</u>	<u>76,923</u>
Issued and fully paid:		
Ordinary shares of HKD0.01 each At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	<u>27,048,844,786</u>	<u>34,871</u>

11. OTHER COMMITMENTS

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

	2018 USD'000	2017 USD'000
Other commitments contracted for but not provided for in the consolidated financial statements in respect of capital contribution in unlisted security investments which are recognised as financial assets at FVTPL (2017: available-for-sale investments)	<u>120,814</u>	<u>47,523</u>

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 December 2018 (the “Year”).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Results

Below is a summary of the financial information:

	2018	2017
	USD’000	USD’000
Revenue	34,273	30,123
Administrative expenses	13,924	17,620
EBITDA	51,250	36,005
Profit before taxation	48,375	32,536
Profit for the Year	48,329	32,162
Analysis of profit before taxation by operating segment:		
(i) Principal Investment Business	47,315	44,458
(ii) Financial Services Business	1,466	5,851
(iii) Real Property Business	2,186	1,154

For the Year, the Group achieved a net profit after tax of USD48.3 million (2017: USD32.2 million). The main reason for the increase in profit was due to the increase in revenue, decrease in administrative expenses, increase in fair value changes for financial assets at FVTPL and increase in fair value of investment properties. The fair value changes for financial assets at FVTPL was USD8.6 million (2017: nil) and increase in fair value of investment properties was USD10.9 million (2017: USD6.9 million).

Revenue was USD34.3 million (2017: USD30.1 million), mainly generated by the dividend and distribution income as well as interest income from financial products; rental income; and interest income from financial institutions, margin financing and money lending business. The increase in revenue was mainly due to the increase of dividend and distribution income from financial products and increase in interest income from financial products and financial institutions and partially offset by a decrease in commission income and handling charges from financial service as a result of economic downturn.

Administrative expenses was USD13.9 million for the Year, a decrease of USD3.7 million as compared to the corresponding year of USD17.6 million. Such decrease was partially due to good performance on expenses control for the Year.

General description on the Group's investment strategies

The Group has been continuously reviewing its business and investment strategies, especially for its principal investment business pursuant to the Group's financial needs and change of financial circumstances. The Group generates profit from the interest income, dividend income and distribution income from the financial assets held by the Group in its principal investment business. The Group takes a prudent approach on allocating its financial assets, as such, apart from equity investment which are always accompanied by higher risks (including market risks), the Group has been exploring different fixed income investment portfolios as part of its assets allocation plan, including the selection of fixed income assets and the vehicles the Group uses to access them.

Since the beginning of 2018, after considering the increased interest rate, risk tolerance, capital preservation, liquidity and yield, the Group constructed its fixed income investment portfolios by pairing its bond investment with cash investment. The Group believes that a strong fixed income component can serve as a safety net for the Group's overall investment portfolios.

The Group has allocated approximately 40% of its financial assets to fixed income investment, which were divided equally between bond investment and cash investment (including term deposits with financial institutions), as part of its on-going investment strategies to eliminate the impact from market fluctuations that are typical of equity investment.

(i) Principal Investment Business

During the Year, the Group invested approximately USD79.7 million in listed and unlisted financial assets, which were mainly unlisted security investments and bonds. The profit before taxation was USD47.3 million which included interest income, dividend income and distribution income of USD26.3 million from the financial assets held by the Group.

As at 31 December 2018, the Group held approximately USD399.6 million non-cash financial assets, as follows:

	2018	2017
	USD'000	USD'000
Listed shares	57,189	78,719
Listed debt securities	181,797	203,266
Unlisted managed investment funds	889	48,107
Unlisted security investments	159,723	128,355
Total	<u>399,598</u>	<u>458,447</u>

The Group held limited partner interest of a fund (the “Fund”) as an unlisted security investment. The investment portfolio of the Fund operates as a limited partnership, yielding returns from investing in equity-related securities of growth and late-stage PRC companies in the technology, media and telecommunications industry. The fair value of the investment as at 31 December 2018 was USD122.9 million, which accounted for 8% of the total assets of the Group as at 31 December 2018.

The Fund has achieved income generation and seen capital appreciation. For the Year, the realised gains and unrealised gains (excluding amounts realised in previous years) of the investment were USD3.6 million and USD33.3 million, respectively.

Moving forward, the Group is optimistic of the potential of the investment. It is of the view that by leveraging the strategic and extensive resources available and the Fund management team’s extensive experience in investment and fund operation in the technology, media and telecommunications industry, the investment will continue to bring about valuable investment opportunities and increasing financial returns, as much as it will add to the diversity of the investment portfolio.

Except for the investment disclosed above, there was no other single investment (for example, financial assets at FVTPL, financial assets at FVTOCI and investments in debt instruments measured at amortised cost) 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 audited total assets as at 31 December 2018.

During the Year, the interest income from term deposits from financial institutions would be classified as the revenue as the principal activities during the Year.

(ii) Financial Services Business

The Group completed the acquisition of Lippo Securities Holdings Limited (“LSHL”) and its subsidiaries in December 2018. LSHL is involved in the provision of licensed financial services, which principally include underwriting, securities and future brokerage, corporate finance, investment advisory and other related financial services in Hong Kong and other countries. The acquisition will complement the Group’s existing businesses in the financial services industry.

The Group lent out USD42.1 million and received USD56.0 million repayments during the Year. There were no bad debts during the Year. Interest income from money lending business and margin financing were USD2.4 million (2017: USD3.8 million). The dividend and distribution income from financial assets was USD2.5 million (2017: nil). The commission income and handling charges from financial services was USD0.9 million (2017: USD3.7 million). The profit before taxation was USD1.5 million (2017: USD5.9 million), which was mainly due to decrease in revenue.

As at 31 December 2018, the fixed-rate loans receivable was USD1.2 million.

(iii) Real Property Business

The Group had three floors of commercial office and ten car parks located in Wanchai, Hong Kong. During the Year, the rental income earned and the profit before taxation were USD2.2 million and USD2.2 million (2017: USD1.6 million and USD1.2 million) for the Year, respectively.

Review of Group Financial Position

	2018 USD'000	2017 USD'000
Current Assets		
Bank balances and cash	887,070	780,142
Financial assets at FVTPL	57,189	–
Investments in debt instruments measured at amortised cost	4,147	–
Held for trading investments	–	78,719
Loans receivable	1,185	15,266
Others	66,011	15,400
Non-current Assets		
Financial assets at FVTPL	160,612	–
Financial assets at FVTOCI	15,852	–
Investments in debt instruments measured at amortised cost	177,650	–
Available-for-sale investments	–	379,728
Others	133,842	136,336
Total Assets	1,503,558	1,405,591
Other Liabilities	(58,372)	(15,933)
Net Assets	1,445,186	1,389,658

Non-current assets were USD488.0 million (2017: USD516.1 million), representing a decrease of USD28.1 million which was mainly due to the net decrease in investment in financial assets of USD25.6 million. Current assets were USD1,015.6 million (2017: USD889.5 million), representing an increase of USD126.1 million which was mainly due to an increase in bank balances and cash of USD107.0 million.

Net Asset Value

As at 31 December 2018, the Group's total net assets amounted to approximately USD1,445.2 million, representing an increase of USD55.5 million as compared to approximately USD1,389.7 million as at 31 December 2017. The increase in net assets was mainly due to the profit for the Year of USD48.3 million and the fair value adjustment on investments and an expected credit loss as a result from initial application of HKFRS 9 recorded under reserves of USD17.9 million. Such increase was offset by the decrease in fair value of the financial assets at FVTOCI of USD5.2 million.

Cash Flow, Liquidity and Financial Resources

CASH FLOW SUMMARY

	2018	2017
	USD'000	USD'000
Net cash from Operating Activities	36,740	16,441
Net cash from/(used in) Investing Activities	62,216	(56,388)
Net cash from/(used in) Financing Activities	12,365	(128)
Net increase/(decrease) in cash and cash equivalents	111,321	(40,075)
Cash and cash equivalents at beginning of the year	780,142	825,485
Effect of foreign exchange rate changes	(4,393)	(5,268)
Cash and cash equivalents at end of the year	<u>887,070</u>	<u>780,142</u>

The Group's cash balance as at 31 December 2018 was USD887.1 million (2017: USD780.1 million). The Group generated net cash inflows from operating activities for 2018 of USD36.7 million, which was mainly contributed to working capital of operations. Net cash from investing activities was USD62.2 million which included USD49.6 million from proceeds of disposal of subsidiaries and USD29.0 million from interest received.

The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was 0.9% as at 31 December 2018 (2017: nil).

Capital Structure of the Group

The capital structure of the Group has not changed materially since 30 June 2018, being the end of the reporting period of the Group's interim report.

Material Acquisitions and Disposals

On 23 April 2018, Smart Blend Limited ("Subscriber"), an indirect wholly-owned subsidiary of the Company, and Terra Magnum Fund I GP ("General Partner") entered into the subscription agreement to subscribe for the limited partner interest in the Terra Magnum Fund I LP ("Fund") as a limited partner for a capital commitment of USD50 million (equivalent to approximately HKD390 million), representing 25% of the total capital commitment to the Fund as at 23 April 2018. The Subscriber entered into the limited partnership agreement on the same date with the General Partner, Terra Magnum Fund I SLP LP (as the special limited partner), Terra Magnum Ltd. (as the initial limited partner) and other limited partners to govern the relationship between the General Partner and the limited partners and to provide for (among other things) the manner of operation and management of the Fund.

On 20 July 2018, Empire Glaze Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, the Company as the Purchaser's guarantor, Norfyork International Limited ("Vendor") and Hongkong Chinese Limited (as the Vendor's guarantor) entered into the sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 23,000,000 ordinary shares of Lippo Securities Holdings Limited ("Target"), which represent the entire equity interests in the Target at the consideration of HKD348,665,101 (equivalent to approximately USD44.7 million). The acquisition was completed on 11 December 2018.

On 8 August 2018, Well Advantage Global Limited ("Subscriber"), an indirect wholly-owned subsidiary of the Company, and Genesis Capital II Ltd ("General Partner") entered into the subscription agreement to subscribe for the limited partner interest in Genesis Capital II LP ("Fund") as a limited partner for a capital commitment of USD70 million (equivalent to approximately HKD546 million), representing 15.02% of the total capital commitment to the Fund as at 8 August 2018. The Subscriber entered into the limited partnership agreement on the same date with the General Partner, Genesis Capital CI II LP (as the carried interest partner), Yuan Capital Ltd (as the initial limited partner) and other limited partners to govern the relationship between the General Partner and limited partners and to provide for (among other things) the manner of operation and management of the Fund.

On 11 September 2018, Happy Jumbo Limited (“Purchaser”) and Shiny Fortune International Limited (“Vendor”), being a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (“Sale and Purchase Agreement”), pursuant to which (i) the Purchaser has agreed to acquire and the Vendor has agreed to sell the sale share, which represent the entire equity interests in the target subsidiaries, namely, Adair Ventures Limited, Golden Avenue Investments Limited and Westfield Global Investments Limited, and (ii) the respective shareholders’ loans for each target subsidiary will be assigned by the Vendor to the Purchaser, at the consideration of USD33,150,000 (equivalent to approximately HKD260.2 million).

During the period from 27 November 2018 to 30 November 2018, Treasure Cape Investments Limited, an indirect wholly-owned subsidiary of the Company, disposed of an aggregate of 3,080,136 shares of RMB1.00 each in the share capital of ZhongAn Online P & C Insurance Co., Ltd. (“ZhongAn Shares”, each a “ZhongAn Share”) on the open market through The Stock Exchange of Hong Kong Limited for an aggregate consideration of approximately USD13.1 million (equivalent to approximately HKD102.4 million) (excluding stamp duty and related expenses). The average selling price of each ZhongAn Share was approximately USD4.3 (equivalent to approximately HKD33.3).

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year and as at the publication of the Company’s annual results announcement for the Year.

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 31 December 2018, no assets of the Group had been pledged.

Business Outlook

Given the on-going uncertainty over international trade and global financial trends in 2018, key economic systems continue raising interest rates and tightening monetary policies. However, the world economy maintained a moderate pace and growth. The Group remains prudently optimistic about the economy growth. Looking ahead, the Group will carry on with our two-pronged “investment + finance” development strategy, banking on our existing solid funds to optimise resource allocation and maintain our three main businesses for sustained and steady development.

For the principal investment business, the Group will adhere to our on-going investment strategies and strives to diversify its investment portfolio and achieve risk dispersion. The investment objective is to achieve superior risk-adjusted capital appreciation over the medium to long term through an investment portfolio utilizing a broad range of investment strategies and leveraged investment. The Group will continuously be dedicated to tapping quality investment projects in the technology, media and telecommunications, healthcare and education industries, in order to elevate the Group's overall profitability and returns. On the other hand, the Group has been and will be seeking for other suitable investment opportunities in projects with strong growth outlooks, recognised catalysts for development and attractive valuations to further strengthen its investment portfolios. The long-term horizon of the investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. The investment portfolio will be diversified across asset classes and managers including but not limited to private equity, public equities and fixed income from international and emerging markets.

Regarding the financial services business, the Group will continue to expand our existing securities, brokerage and margin financing businesses, and seek business opportunities in other financial sectors such as fund management. The Group has acquired the entire equity interests in LSHL in 2018. LSHL, through its subsidiaries, is principally engaged in securities and commodities brokerage, fund management and money lending businesses. Considering the experienced management team, well-established technological infrastructure and broad client base of LSH and its subsidiaries, the directors of the Company believe that the acquisition will enrich its variety of financial solution, in order to echo the increasing demand for diversification and cross-border wealth management services from high net worth and high grade investors. Meanwhile, the Group will persist with a prudent approach in developing our money lending business to achieve a risk-gain balance.

As to the real property business, the Group will carry on seeking investment opportunities for real property in Hong Kong and other countries, including North American and European countries, in line with our sustained effort to secure stable income sources for the Group.

Human Resources

As at 31 December 2018, the Group had 66 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.

The Company revised general scheme limit allowing the Company to issue options representing no more than 1,352,442,239 shares under the share option scheme for the option incentive purpose of the Group which has been approved at the annual general meeting of the Company held on 15 June 2018.

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

During the Year, 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 interim report of the Company for the six months ended 30 June 2018, the changes of directors of the Company during the Year and thereafter are as follows:

On 12 October 2018, Ms. Li Zhongye, Cindy was appointed as the chairperson of the Company, a non-executive director of the Company, and the chairperson and a member of the nomination committee of the Company ("Nomination Committee").

On 12 October 2018, Mr. Lo Wa Kei, Roy has ceased to be the chairman and a member of the Nomination Committee.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the Year, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

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 Listing Rules for the Year, except for the deviation as set out below:

- (i) under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. Prior to the retirement of Mr. Chiu Tao on 15 June 2018, the positions of the chairman and acting CEO of the Company were held by Mr. Chiu Tao. The Board appointed Ms. Li Zhongye, Cindy as the chairperson of the Company on 12 October 2018.

- (ii) according to code provision E.1.2, Mr. Chiu Tao, the chairman of the Board (retired on 15 June 2018), should have attended the annual general meeting of the Company held on 15 June 2018 (“2018 AGM”). However, Mr. Chiu Tao was unable to attend the 2018 AGM due to another business commitment. Mr. Leung Oi Kin, executive director and company secretary of the Company, who took the chair of the 2018 AGM, together with other members of the Board who attended the 2018 AGM were of sufficient caliber and knowledge for answering questions at the 2018 AGM.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprises Mr. Lo Wa Kei, Roy, Mr. Chen Gong and Mr. Martin Que Meideng. All of them are independent non-executive directors of the Company. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee with the management of the Company and the Company’s independent auditors, and recommended its adoption by the Board.

ANNUAL REPORT

The annual report of the Company for the Year will be despatched to the shareholders and made available on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.g-resources.com) on before 30 April 2019.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of the Company’s shareholders and dedication of all our staff over the past year.

By Order of the Board
G-Resources Group Limited
Leung Oi Kin

Executive Director and Company Secretary

Hong Kong, 28 March 2019

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

- (i) Ms. Li Zhongye, Cindy as non-executive director of the Company;*
- (ii) Mr. Leung Oi Kin and Mr. Leung Wai Yiu, Malcolm as executive director of the Company; and*
- (iii) Mr. Lo Wa Kei, Roy, Mr. Chen Gong and Mr. Martin Que Meideng as independent non-executive directors of the Company.*

* *For identification purpose only*