

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2019

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 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		For the six months ended 30 June	
	NOTES	2019 USD'000 (Unaudited)	2018 USD'000 (Unaudited)
Revenue			
Interest income	4	9,625	6,106
Dividend and distribution income	4	1,188	5,217
Fee and commission income	4	1,181	291
Rental income	4	1,120	1,159
		13,114	12,773
Other income		7,912	7,686
Administrative expenses		(5,595)	(8,440)
Fair value changes of financial assets at fair value through profit or loss		16,790	12,186
Gain from disposal of investments in debt instruments measured at amortised cost		44	1,532
Increase in fair value of investment properties		3,481	6,800
Provision of impairment on non-financial assets	6	(4,327)	–
Reversal of expected credit losses on financial assets, net of provision		151	7
Other (loss)/gain		(2,347)	1,447
Finance cost		(126)	–
Gain on disposal of associates		313	–
Share of results of associates		(20)	(114)
Profit before taxation		29,390	33,877
Taxation	5	4	(61)
Profit for the period	6	29,394	33,816
Profit/(loss) for the period attributable to:			
Owners of the Company		29,461	34,233
Non-controlling interests		(67)	(417)
		29,394	33,816
Earnings per share			
– Basic and diluted (US cent)	8	0.11	0.13

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Profit for the period	29,394	33,816
Other comprehensive income/(expenses):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation	4,395	(4,185)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	4,043	(2,057)
	<u>8,438</u>	<u>(6,242)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation	(927)	1,178
	<u>(927)</u>	<u>1,178</u>
Other comprehensive income/(expenses) for the period	7,511	(5,064)
Total comprehensive income for the period	<u>36,905</u>	<u>28,752</u>
Total comprehensive income/(expenses) for the period attributable to:		
Owners of the Company	35,671	29,706
Non-controlling interests	1,234	(954)
	<u>36,905</u>	<u>28,752</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019	31 December 2018
	NOTES	USD'000 (Unaudited)	USD'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		18,397	18,576
Right-of-use assets		358	–
Investment properties		97,897	94,095
Financial assets at fair value through profit or loss	9	176,363	160,612
Investments in debt instruments measured at amortised cost	9	163,874	177,650
Financial assets at fair value through other comprehensive income		–	15,852
Other receivables and deposits	10	791	789
Interests in associates		–	664
Intangible assets		1,746	1,746
Goodwill		17,972	17,972
		<u>477,398</u>	<u>487,956</u>
CURRENT ASSETS			
Accounts and other receivables	10	8,990	27,669
Loans receivable		–	1,185
Investments in debt instruments measured at amortised cost	9	7,185	4,147
Financial assets at fair value through profit or loss	9	61,224	57,189
Tax recoverable		80	–
Bank trust accounts balances		37,903	28,342
Bank balances and cash		928,836	887,070
		<u>1,044,218</u>	<u>1,005,602</u>
Non-current asset classified as held for sale		5,673	10,000
		<u>1,049,891</u>	<u>1,015,602</u>
CURRENT LIABILITIES			
Other borrowings		–	13,381
Lease liabilities		265	–
Accounts and other payables	11	49,878	44,213
Tax payable		21	490
		<u>50,164</u>	<u>58,084</u>
NET CURRENT ASSETS		999,727	957,518
TOTAL ASSETS LESS CURRENT LIABILITIES		1,477,125	1,445,474
NON-CURRENT LIABILITIES			
Deferred tax liabilities		288	288
Lease liabilities		98	–
		<u>386</u>	<u>288</u>
		<u>1,476,739</u>	<u>1,445,186</u>
CAPITAL AND RESERVES			
Share capital	12	34,871	34,871
Reserves		1,441,868	1,406,060
Equity attributable to owners of the Company		1,476,739	1,440,931
Non-controlling interests		–	4,255
TOTAL EQUITY		1,476,739	1,445,186

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	USD'000	USD'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	13,342	4,791
Income taxes paid	(544)	–
Net cash from Operating Activities	12,798	4,791
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20)	(30)
Purchase of financial assets at fair value through profit or loss	(10,548)	(10,981)
Acquisition of additional interest in a subsidiary	(5,352)	–
Purchase of financial assets at fair value through other comprehensive income	–	(9,311)
Purchase of investments in debt instruments measured at amortised cost	–	(38,897)
Proceeds from disposal of investments in debt instruments measured at amortised cost	21,060	41,418
Proceeds from disposal of financial assets at fair value through other comprehensive income	19,610	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	6,179
Proceeds from return of capital of financial assets at fair value through profit or loss	3,317	9,151
Proceeds from disposal of associates	956	–
Proceeds from disposal of property, plant and equipment through disposal of a subsidiary	–	12,121
Interest received	10,666	13,091
Receipt of deferred cash consideration in relation to disposal of mining business	–	1,703
Net cash from Investing Activities	39,689	24,444
FINANCING ACTIVITIES		
Repayment of other borrowings	(13,365)	–
Repayments of leases liabilities	(134)	–
Interest expenses paid	(208)	–
Dividend paid to non-controlling shareholder	–	(447)
Cash used in Financing Activities	(13,707)	(447)
Net increase in cash and cash equivalents	38,780	28,788
Cash and cash equivalents at beginning of the period	887,070	780,142
Effect of foreign exchange rate changes	2,986	(2,157)
Cash and cash equivalents at end of the period, represented by Bank Balances and Cash	928,836	806,773

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2018.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded *HKAS 17 Leases* (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under *HKFRS 9 Financial Instruments* (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies *HKFRS 15 Revenue from Contracts with Customers* (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and *HK (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease- by- lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

The Group recognised lease liabilities of USD496,000 and right-of-use assets of USD496,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.125%.

	At 1 January 2019
	<i>USD'000</i>
Operating lease commitments disclosed as at 31 December 2018	907
Add: Early termination options reasonably certain not to be exercised	170
Less: Recognition exemption – short-term leases	(558)
	<u>519</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u><u>496</u></u>
Analysed as	
Current	271
Non-current	225
	<u><u>496</u></u>

The carrying amount of right-to-use assets as at 1 January 2019 related to operating leases recognised upon application of HKFRS 16 was under land and building of USD496,000.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	<i>USD'000</i>		<i>USD'000</i>
NON-CURRENT ASSETS			
Right-of-use assets	–	496	496
CURRENT LIABILITIES			
Lease liabilities	–	271	271
NON-CURRENT LIABILITIES			
Lease liabilities	–	225	225

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 operating business units which represent three operating segments, namely, principal investment business, financial services business and real property business for both periods.

(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 2019 (Unaudited)

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	9,409	216	–	9,625
Dividend and distribution income	1,188	–	–	1,188
Fee and commission income	–	1,181	–	1,181
Rental income	–	–	1,120	1,120
Segment revenue	<u>10,597</u>	<u>1,397</u>	<u>1,120</u>	<u>13,114</u>
Segment results	<u>33,398</u>	<u>(1,082)</u>	<u>1,138</u>	<u>33,454</u>
Unallocated corporate expenses				(3,218)
Increase in fair value of investment properties				3,481
Provision of impairment on non-financial assets				(4,327)
Profit before taxation				<u>29,390</u>

For the six months ended 30 June 2018 (Unaudited)

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	4,689	1,417	–	6,106
Dividend and distribution income	5,217	–	–	5,217
Fee and commission income	–	291	–	291
Rental income	–	–	1,159	1,159
Segment revenue	<u>9,906</u>	<u>1,708</u>	<u>1,159</u>	<u>12,773</u>
Segment results	<u>32,535</u>	<u>(883)</u>	<u>1,139</u>	<u>32,791</u>
Unallocated corporate income				51
Unallocated corporate expenses				(5,765)
Increase in fair value of investment properties				6,800
Profit before taxation				<u>33,877</u>

(b) Segment assets and liabilities

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

At 30 June 2019 (Unaudited)

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	<u>1,315,858</u>	<u>88,878</u>	<u>98,015</u>	1,502,751
Unallocated corporate assets				<u>24,538</u>
Total assets				<u><u>1,527,289</u></u>
LIABILITIES				
Segment liabilities	<u>107</u>	<u>39,570</u>	<u>806</u>	40,483
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				<u>228</u>
Total liabilities				<u><u>50,550</u></u>

At 31 December 2018 (Audited)

	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>	1,474,729
Unallocated corporate assets				<u>28,829</u>
Total assets				<u><u>1,503,558</u></u>
LIABILITIES				
Segment liabilities	<u>121</u>	<u>46,552</u>	<u>805</u>	47,478
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				<u>1,055</u>
Total liabilities				<u><u>58,372</u></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	
	2019 USD'000 (Unaudited)	2018 USD'000 (Unaudited)
Interest income from financial products	4,632	4,689
Interest income from money lending business	7	949
Interest income from margin financing	209	468
Interest income from financial institutions' term deposits	4,777	–
Interest income	9,625	6,106
Dividend and distribution income from financial products	1,188	5,217
Commission income and handling charges from financial services	970	291
Asset management fee income	211	–
Fee and commission income	1,181	291
Rental income	1,120	1,159
	13,114	12,773

5. TAXATION

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

	For the six months ended 30 June	
	2019 USD'000 (Unaudited)	2018 USD'000 (Unaudited)
Hong Kong Profits Tax		
Current tax	–	61
Over-provision in prior year	(4)	–
Taxation for the period	(4)	61

6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2019 USD'000 (Unaudited)	2018 USD'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	257	1,148
Depreciation of right-of-use assets	138	–
Provision of impairment on non-financial assets:		
– Asset held for sale	4,327	–
Exchange loss/(gain), net, included in other loss/gain	2,347	(1,447)
Interest income	(17,498)	(13,703)

7. DIVIDEND

No dividend were paid or proposed during the six months ended 30 June 2018 and 2019 nor has any dividend been proposed since the end of the reporting period.

8. 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:

	For the six months ended 30 June	
	2019	2018
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<u>29,461</u>	<u>34,233</u>
	Number of shares	
	2019	2018
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>

9. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
	USD'000	USD'000
	(Unaudited)	(Audited)
Investments in debt instruments measured at amortised cost		
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (<i>Notes a, b, c</i>)	78,890	90,218
Floating Rate Perpetual Notes (<i>Notes a, d</i>)	57,033	56,478
Floating Rate Senior Notes (<i>Notes a, e</i>)	35,369	35,434
Less: Expected credit losses	(233)	(333)
	<u>171,059</u>	<u>181,797</u>
Less: Investments in debt instruments measured at amortised cost classified as current assets	<u>(7,185)</u>	<u>(4,147)</u>
Investments in debt instruments measured at amortised cost classified as non-current assets	<u>163,874</u>	<u>177,650</u>
Financial assets at fair value through profit or loss classified as non-current assets		
Unlisted securities		
Managed investment funds	–	889
Unlisted security investments (<i>Note f</i>)	176,363	159,723
	<u>176,363</u>	<u>160,612</u>
Financial assets at fair value through profit or loss classified as current assets		
Hong Kong listed equity securities (<i>Note g</i>)	<u>61,224</u>	<u>57,189</u>

Notes:

- (a) The listed Senior Notes, Perpetual Notes and Perpetual Securities were 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 Group's investments in debt instruments measured at amortised cost mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay, etc).
- (b) During the six months ended 30 June 2019, one of the Fixed Rate Senior Notes was redeemed and one of the Fixed Rate Senior Notes matured. The gain on disposal including redemption of investments in debt instruments measured at amortised cost was USD44,000. During the six months ended 30 June 2018, one of the Perpetual Securities were sold and one of the Fixed Rate Senior Notes were redeemed. The gain on disposal including redemption of investments in debt instruments measured at amortised cost was USD1,532,000.
- (c) Senior Notes held by the Group bear a fixed coupon interest of ranging from 2.375% to 7.5% (31 December 2018: from 2.375% to 8.5%) per annum and with maturity dates from 19 October 2019 to 13 November 2024 (31 December 2018: from 4 June 2019 to 13 November 2024).
- (d) Perpetual Notes held by the Group bear a floating rate of ranging from 4.5% to 7.625% (31 December 2018: from 4.5% to 7.625%) per annum and it is callable from 23 September 2019 to 16 May 2025 (31 December 2018: from 23 September 2019 to 16 May 2025). The interest rate is subject to change at reset day with reset rate ranging from 2.648% to 7.773% (31 December 2018: from 2.648% to 7.773%) plus mid-market swap rate or USD 5 years mid-swap rate or the prevailing yield for U.S. Treasury Securities having a designated maturity of 5 years or 3 months USD LIBOR or semi-annual USD 5 years mid-swap rate.
- (e) Senior Notes held by the Group bear a floating rate of ranging from 3.887% to 5% (31 December 2018: from 3.887% to 5%) per annum and with maturity dates from 10 August 2021 to 9 November 2047 (31 December 2018: from 10 August 2021 to 9 November 2047). The interest rate is subject to change at reset day with reset rate ranging from 1.400% to 3.472% (31 December 2018: from 1.400% to 3.472%) plus 3 months USD LIBOR or the prevailing yield for U.S. Treasury Securities having a designated maturity of 5 years or USD 5 years mid-swap rate.
- (f) As at 30 June 2019, the unlisted security investments classified as financial assets at fair value through profit or loss ("financial assets at FVTPL") include unlisted investment funds and an unlisted equity investment with carrying value of USD138,255,000 and USD38,108,000 (31 December 2018: USD129,723,000 and USD30,000,000), respectively. In accounting for the fair value measurement of the investment in unlisted investment funds, management has determined that the reported net asset value of the unlisted investment funds provided by the general partners represent the fair value of the unlisted investment funds. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in assessment may require the judgement. The underlying investments held by the investment funds were valued using transaction prices or latest finance price without adjustment.

In estimating the fair value of the unlisted equity investment, the Group engages an independent valuer to perform the valuation that is reviewed by management. The independent valuer utilised the market approach and the valuation method used is the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability.

As at 30 June 2019, one (31 December 2018: one) out of these four (31 December 2018: four) unlisted security investments accounted for 74% (31 December 2018: 78%) of the aggregate carrying value, with the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry.

During the six months ended 30 June 2019, an increase in fair value of USD8,520,000 (six months ended 30 June 2018: USD9,553,000) was recognised in the profit or loss. The Group received returns of capital of USD2,428,000 (six months ended 30 June 2018: USD9,151,000) and plus distribution of USD74,000 (six months ended 30 June 2018: USD3,859,000) from one (six months ended 30 June 2018: two) of its unlisted securities investments.

- (g) The fair value is determined based on the closing price per share quoted on the Hong Kong Stock Exchange and quoted market bid price as at the end of the respective reporting periods apart from the shares which was suspended from trading as described below.

As at 30 June 2019, one of the financial assets at FVTPL of USD7,161,000 (31 December 2018: USD7,138,000) was shares which were suspended from trading. As there was an absence of quoted prices for the shares which were suspended from trading, the fair value was determined by valuation conducted by an independent valuer. The fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability.

10. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2019 <i>USD'000</i> (Unaudited)	31 December 2018 <i>USD'000</i> (Audited)
Accounts receivables from the business of dealing in securities:		
Clients	3,848	11,229
Clearing house and brokers	239	3,232
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	559	705
Accounts receivables (<i>Note a</i>)	4,646	15,166
Other receivables and deposits	5,138	13,294
Less: Impairment allowance	(3)	(2)
	9,781	28,458
Less: Other receivables and deposits classified as non-current assets	(791)	(789)
Accounts and other receivables classified as current assets	8,990	27,669

Note:

- (a) As at 30 June 2019 and 31 December 2018, accounts receivables from clearing house and certain clients from the business of dealing in securities is repayable on the settlement date, which is two business days after trade date, except for the remaining accounts receivables from the business of dealing in securities and futures contracts are repayable on demand. 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 businesses.

11. ACCOUNTS AND OTHER PAYABLES

	30 June 2019 <i>USD'000</i> (Unaudited)	31 December 2018 <i>USD'000</i> (Audited)
Accounts payables from the business of dealing in securities:		
Clients	37,170	30,563
Clearing house and brokers	77	–
Accounts payables from the business of dealing in futures contracts:		
Clients	1,192	1,371
Accounts payables (<i>Note a</i>)	<u>38,439</u>	<u>31,934</u>
Other payables	<u>11,439</u>	<u>12,279</u>
	<u>49,878</u>	<u>44,213</u>

Note:

- (a) Accounts payables to clients mainly include money held in banks, brokers and clearing house on behalf of customers from the business of dealing in securities and futures contracts. 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.

12. SHARE CAPITAL

	Number of shares	Value <i>USD'000</i>
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2018 (Audited), 31 December 2018 (Audited), 1 January 2019 (Audited) and 30 June 2019 (Unaudited)	<u>60,000,000,000</u>	<u>76,923</u>
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2018 (Audited), 31 December 2018 (Audited), 1 January 2019 (Audited) and 30 June 2019 (Unaudited)	<u>27,048,844,786</u>	<u>34,871</u>

13. OTHER COMMITMENTS

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

	At 30 June 2019 <i>USD'000</i> (Unaudited)	At 31 December 2018 <i>USD'000</i> (Audited)
Other commitments contracted for but not provided for in the condensed consolidated financial statements in respect of capital contribution in unlisted security investments which are recognised as financial assets at FVTPL	<u>112,694</u>	<u>120,814</u>

INTERIM DIVIDEND

The Board does not recommend the proposal and payment of an interim dividend for the six months ended 30 June 2019 (no interim dividend was proposed or paid for 2018).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Results

Below is a summary of the financial information:

	For the six months ended 30 June	
	2019	2018
	<i>USD'000</i>	<i>USD'000</i>
Revenue	13,114	12,773
Administrative expenses	5,595	8,440
EBITDA	29,911	35,025
Profit before taxation	29,390	33,877
Profit for the period	29,394	33,816

Analysis of profit/(loss) before taxation by operating segment:

(i) Principal Investment Business	33,398	32,535
(ii) Financial Services Business	(1,082)	(883)
(iii) Real Property Business	1,138	1,139

The Group achieved a net profit for the period of USD29.4 million (the six months ended 30 June 2018: USD33.8 million). Despite the increase in revenue and fair value changes of financial assets at FVTPL, the profit for the period decreased was mainly due to the slow down of increase in fair value of investment properties and provision for impairment on non-financial assets.

Revenue was USD13.1 million (the six months ended 30 June 2018: USD12.8 million), mainly generated by the dividend and distribution income as well as interest income from financial products; interest income from financial institutions, margin financing and money lending business; rental income; and commission income and handling charges from financial services. The increase in revenue was mainly due to the increase in commission income and handling charges from financial services as a result of the acquisition of Funderstone Securities Holdings Limited (“FSHL”) (formerly known as Lippo Securities Holdings Limited) and its subsidiaries (“FSHL Group”) in December 2018.

Administrative expenses was USD5.6 million for the six months ended 30 June 2019, a decrease of USD2.8 million as compared to the corresponding six months ended 30 June 2018 of USD8.4 million. Such decrease was partially due to effective performance on expenses control for the period.

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 investments which are always accompanied by higher 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 trend of 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 period, the Group invested approximately USD10.5 million in listed and unlisted financial assets, which were mainly unlisted security investments. The profit before taxation was USD33.4 million which included interest income, dividend income and distribution income of USD10.6 million from the financial assets held by the Group.

As at 30 June 2019, the Group held approximately USD408.7 million non-cash financial assets, as follows:

	30 June 2019	31 December 2018
	<i>USD'000</i>	<i>USD'000</i>
Listed shares	61,224	57,189
Listed debt securities	171,059	181,797
Unlisted managed investment funds	–	889
Unlisted security investments	176,363	159,723
Total	<u>408,646</u>	<u>399,598</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 30 June 2019 was USD129.8 million, which accounted for 9% of the total assets of the Group as at 30 June 2019.

The Fund has achieved income generation and seen capital appreciation. For the six months ended 30 June 2019, the increase in fair value of the investment was USD0.6 million.

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 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 unaudited total assets as at 30 June 2019.

The interest income from term deposits from financial institutions has been classified as the revenue as the principal activities.

(ii) Financial Services Business

On top of the acquisition of FSHL Group in December 2018, the Group also acquired the remaining 25% of the equity interests in Enhanced Financial Services Group Limited (“EFSGL”) in May 2019. EFSGL and its subsidiaries now became indirect wholly-owned subsidiaries of the Company.

Interest income from money lending business and margin financing were USD0.2 million (the six months ended 30 June 2018: USD1.4 million). The commission income and handling charges from financial services and asset management fee was USD1.2 million (the six months ended 30 June 2018: USD0.3 million). The loss before taxation was USD1.1 million (the six months ended 30 June 2018: USD0.9 million).

(iii) Real Property Business

The Group had three floors of commercial office (including 17th, 18th and 19th floor) and ten car parks located in Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. The commercial offices are used as our head office and leased to third parties for office use under a lease of not more than three years. The rental income earned and the profit before taxation were USD1.1 million and USD1.1 million (the six months ended 30 June 2018: USD1.2 million and USD1.1 million) for the six months ended 30 June 2019, respectively.

Review of Group Financial Position

	30 June 2019	31 December 2018
	<i>USD'000</i>	<i>USD'000</i>
Current Assets		
Bank balances and cash	928,836	887,070
Financial assets at FVTPL	61,224	57,189
Investments in debt instruments measured at amortised cost	7,185	4,147
Others	52,646	67,196
Non-current Assets		
Financial assets at FVTPL	176,363	160,612
Financial assets at fair value through other comprehensive income	–	15,852
Investments in debt instruments measured at amortised cost	163,874	177,650
Others	137,161	133,842
Total Assets	1,527,289	1,503,558
Other Liabilities	(50,550)	(58,372)
Net Assets	1,476,739	1,445,186

Non-current assets were USD477.4 million (31 December 2018: USD488.0 million), representing a decrease of USD10.6 million which was mainly due to the net decrease in investment in debt instruments and financial assets of USD13.9 million. Current assets were USD1,049.9 million (31 December 2018: USD1,015.6 million), representing an increase of USD34.3 million which was mainly due to an increase in bank balances and cash of USD41.7 million.

Net Asset Value

As at 30 June 2019, the Group's net assets amounted to approximately USD1,476.7 million, representing an increase of USD31.5 million as compared to approximately USD1,445.2 million as at 31 December 2018. The increase in net assets was mainly due to the profit for the period of USD29.4 million.

Cash Flow, Liquidity and Financial Resources

Cash Flow Summary

	For the six months ended 30 June	
	2019	2018
	USD'000	USD'000
Net cash from Operating Activities	12,798	4,791
Net cash from Investing Activities	39,689	24,444
Cash used in Financing Activities	(13,707)	(447)
Net increase in cash and cash equivalents	<u>38,780</u>	<u>28,788</u>
Cash and cash equivalents at beginning of the period	887,070	780,142
Effect of foreign exchange rate changes	2,986	(2,157)
Cash and cash equivalents at end of the period	<u><u>928,836</u></u>	<u><u>806,773</u></u>

The Group's cash balance as at 30 June 2019 was USD928.8 million (31 December 2018: USD887.1 million). The Group generated net cash from operating activities for the six months ended 30 June 2019 of USD12.8 million, which was mainly contributed to working capital of operations. Net cash from investing activities were USD39.7 million which mainly includes net amount of acquire, dispose and redeem of investment in financial assets of USD33.4 million and interest received of USD10.7 million. Cash used in financing activities were mainly from the repayment of other borrowings of USD13.4 million.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 30 June 2019, as the Group did not have any borrowings as at the end of the reporting period. The Group's gearing ratio as the percentage of the Group's total borrowings (USD13.4 million, equivalent to HKD104.8 million as the currencies of such borrowings made) over shareholders' equity, was 0.9% as at 31 December 2018.

Capital Structure of the Group

The capital structure of the Group has not changed materially since 31 December 2018, being the end of the reporting period of the Group's annual report.

Material Acquisitions and Disposals

On 10 May 2019, G-Financial Services Group Holding Ltd. (“Purchaser”), an indirect wholly-owned subsidiary of the Company, Enhanced Group Holdings Limited (“Vendor”) and Ms. Ip Yeuk Ping Gloria (the “Vendor’s Guarantor”) entered into the sale and purchase agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 45,000,000 ordinary shares of EFSGL, which represent 25% of the equity interests in EFSGL at the consideration of HKD42 million. After completion, the shareholding of the Purchaser in EFSGL increased from 75% to 100% and EFSGL became an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the period and as at the publication of the Company’s interim results announcement for 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 2019, no assets of the Group had been pledged.

Business Outlook

Due to the on-going US-China trade war, global monetary tightening, and geopolitical concerns in the Middle East, the global equity market and oil market experienced significant volatilities and challenging environment. For many economies, including Hong Kong, moderated growth, and for many companies, diminished business and financial results in the first half of 2019 appear inevitable.

In response to the weakened global economy, the Group continued to carry on with our two-pronged “investment + finance” development strategy. Banking on our existing solid capital base, we actively optimised resources allocation and maintained our conservative and diligent investment philosophy. We believe that this strategy enables us to minimise the impact on the Group’s business and financial performance in the first half of 2019 under the current economic environment.

Principal investment business. Since 2016, the Group has been engaging in principal investment business as one of our crucial business segments. Leveraging the experienced investment team we built in the past three years, the Group created a well-maintained investment portfolio with a combination of investment in funds, bonds and securities (including listed or unlisted securities). In the past six months, the Group is dedicated to tapping quality investment projects in the technology, media and telecommunications, healthcare, banking, insurance, financial service 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. Moreover, the Group has been adhering to our on-going investment strategies and strives to diversify its investment portfolio and achieve risk dispersion. The Group also differentiates itself by focusing on “how” we invest rather than “what” we invest only. Apart from being an investor, the Group starts to take on management role in investment projects, such as being general partners in funds established by us with our clients as limited partners. We believe that our achievement in investment portfolios and continually accumulated experience in investment management are setting a solid foundation for our asset management business development and better leveraging our subsidiaries licensed by the Securities and Futures Commission (“SFC”) which are eligible to carry out asset management business.

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 as mentioned in our principal investment business segment above. Since the Group acquired the entire equity interests in FSHL (together with its subsidiaries), our client base has been enlarged, especially in securities and commodities brokerage, asset management and money lending businesses. In the past six months, the Group focused on the four key financial services business areas, which were (i) securities trading and brokerage, (ii) margin financing, (iii) money lending, and (iv) asset management. In light of the tightened measures imposed by the SFC regarding the securities margin financing activities in April 2019, by setting more stringent guidelines, imposing a cap on margin loans, requiring brokers to control their exposure to individual clients and securities collaterals to avoid concentration risks, conducting more frequent stress tests, and strictly enforcing margin calls, we are in the six months' transition period and will be in full compliance with such guidelines before its effective date in October 2019 which allow us to be better structured to serve our existing and new clients. Meanwhile, the Group will persist with a prudent approach in developing our money lending business to achieve a risk-gain balance. Based on the annual Asset and Wealth Management Activities Survey released by the SFC in July 2019, the assets under management of the asset and wealth management business (including comprises asset management, fund advisory, private banking and private wealth management, SFC-authorized real estate investment trusts and assets held under trusts) in Hong Kong amounted to approximately USD3,059 billion as at 31 December 2018. This shows the underlying strengths of the asset and wealth management industry in

a challenging global market environment in 2018. In respect of securities trading business, given an increasing demand for diversification and cross-border wealth management services from high net worth and high grade investors, we could be benefited from the possible relaxation on marketing to the Greater Bay Area on securities brokerages and enabled us to enlarge our client base by capturing mainland clients.

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

Human Resources

As at 30 June 2019, the Group had 67 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.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with all the applicable code provisions of 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 Hong Kong Stock Exchange (the "Listing Rules") for the six months ended 30 June 2019.

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 2019.

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 2019. 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 2019 (the “2019 Interim Report”) has been reviewed by the Audit Committee.

INTERIM REPORT

The 2019 Interim Report will be despatched to the shareholders and made available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.g-resources.com) on or before 30 September 2019.

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

Hong Kong, 28 August 2019

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

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

** For identification purpose only*