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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 2020

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
Revenue			
Interest income	3	14,502	15,648
Dividend and distribution income	3	32,655	6,930
Fee and commission income	3	5,109	2,288
Rental income	3	1,949	2,244
		<u>54,215</u>	<u>27,110</u>
Other income		8,142	15,257
Administrative expenses		(10,477)	(12,038)
Gain/(loss) on disposal of investments in debt instruments measured at amortised cost		124	(334)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss		36,627	26,427
(Provision for)/reversal of expected credit losses on financial assets, net		(967)	248
Decrease in fair value of investment properties		(11,423)	(5,131)
Provision of impairment on non-financial assets	5	–	(4,327)
Other loss		(2,708)	(3,879)
Finance costs		(366)	(134)
Gain on disposal of associates		–	313
Share of results of associates		–	(20)
Profit before taxation		<u>73,167</u>	<u>43,492</u>
Taxation	4	(4)	6
Profit for the year	5	<u>73,163</u>	<u>43,498</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		73,163	43,566
Non-controlling interests		–	(68)
		<u>73,163</u>	<u>43,498</u>
Earnings per share			
– Basic and diluted (US cent)	7	<u>0.27</u>	<u>0.16</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 USD'000	2019 USD'000
Profit for the year	73,163	43,498
Other comprehensive income/(expenses):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	5,903	8,173
Fair value gain on financial assets at fair value through other comprehensive income	—	4,042
	<u>5,903</u>	<u>12,215</u>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(1,429)</u>	<u>(1,875)</u>
Other comprehensive income for the year	<u>4,474</u>	<u>10,340</u>
Total comprehensive income for the year	<u>77,637</u>	<u>53,838</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	77,637	52,604
Non-controlling interests	—	1,234
	<u>77,637</u>	<u>53,838</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 USD'000	2019 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		31,219	18,218
Right-of-use assets		51	248
Investment properties		64,899	89,507
Financial assets at fair value through profit or loss	8	292,518	223,135
Investments in debt instruments measured at amortised cost	8	59,364	96,564
Investments in perpetual notes at fair value through profit or loss	8	59,143	58,471
Other receivables and deposits	9	796	793
Intangible assets		1,746	1,746
Goodwill		17,972	17,972
		<u>527,708</u>	<u>506,654</u>
CURRENT ASSETS			
Accounts and other receivables	9	24,503	12,424
Loans receivable		903	–
Investments in debt instruments measured at amortised cost	8	40,526	11,447
Financial assets at fair value through profit or loss	8	29,869	36,842
Tax recoverable		97	97
Bank trust accounts balances		43,090	43,467
Bank balances and cash		964,665	940,486
		<u>1,103,653</u>	<u>1,044,763</u>
CURRENT LIABILITIES			
Lease liabilities		54	200
Accounts and other payables	10	59,684	57,181
Tax payable		26	22
		<u>59,764</u>	<u>57,403</u>
NET CURRENT ASSETS		<u>1,043,889</u>	<u>987,360</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,571,597</u>	<u>1,494,014</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		288	288
Lease liabilities		–	54
		<u>288</u>	<u>342</u>
		<u>1,571,309</u>	<u>1,493,672</u>
CAPITAL AND RESERVES			
Share capital	11	34,871	34,871
Reserves		1,536,438	1,458,801
Equity attributable to owners of the Company		<u>1,571,309</u>	<u>1,493,672</u>
Non-controlling interests		–	–
TOTAL EQUITY		<u>1,571,309</u>	<u>1,493,672</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 USD'000	2019 USD'000
OPERATING ACTIVITIES		
Profit before taxation	73,167	43,492
Adjustments for:		
Interest income	(18,923)	(30,382)
Depreciation of property, plant and equipment	714	504
Depreciation of right-of-use assets	198	278
Provision of impairment on non-financial assets	–	4,327
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	(36,627)	(26,427)
(Gain)/loss on disposal of investments in debt instruments measured at amortised cost	(124)	334
Provision for/(reversal of) expected credit losses on financial assets, net	967	(248)
Finance costs	366	134
Decrease in fair value of investment properties	11,423	5,131
Loss on write off of property, plant and equipment	1	–
Gain on disposal of associates	–	(313)
Share of results of associates	–	20
Operating cash flows before movements in working capital	31,162	(3,150)
(Increase)/decrease in accounts and other receivables and deposits	(15,814)	19,786
Loans advanced to money lending customer	(1,031)	–
Repayments from money lending customer	129	1,237
Decrease in financial assets at fair value through profit or loss	67	24,373
Decrease/(increase) in bank trust accounts balances	378	(15,124)
Increase in accounts and other payables	2,448	12,976
Cash generated from operations	17,339	40,098
Income taxes paid	–	(558)
Net cash from Operating Activities	17,339	39,540

	2020 USD'000	2019 USD'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(66)	(36)
Purchase of financial assets at fair value through profit or loss	(37,222)	(52,761)
Purchase of investments in debt instruments measured at amortised cost	(19,162)	(4,701)
Purchase of investments in perpetual notes at fair value through profit or loss	(1,540)	–
Proceeds from disposal of investments in debt instruments measured at amortised cost	25,928	21,522
Proceeds from disposal of financial assets at fair value through profit or loss	1,975	2,000
Proceeds from return of capital of financial assets at fair value through profit or loss	10,428	8,861
Proceeds from disposal of financial assets at fair value through other comprehensive income	–	19,894
Net proceeds from disposal of non-current asset classified as held for sale	600	5,073
Proceeds from disposal of associates	–	957
Interest received	22,610	26,848
Net cash from Investing Activities	3,551	27,657
FINANCING ACTIVITIES		
Repayment of other borrowings	–	(13,378)
Repayments of leases liabilities	(201)	(272)
Interest expenses paid	(366)	(216)
Acquisition of additional interest in a subsidiary	–	(5,352)
Cash used in Financing Activities	(567)	(19,218)
Net increase in cash and cash equivalents	20,323	47,979
Cash and cash equivalents at beginning of the year	940,486	887,070
Effect of foreign exchange rate changes	3,856	5,437
Cash and cash equivalents at end of the year, represented by Bank Balances and Cash	964,665	940,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

In the current year, the Group has applied *the Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to Hong Kong Accounting Standards (“HKAS”s), Hong Kong Financial Reporting Standards (“HKFRS”s), 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 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The 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.

The application of *the Amendments to References to the Conceptual Framework in HKFRS Standards* and 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.

New and Revised Hong Kong Financial Reporting Standards in issue but not yet effective

The Group has not early applied the following New and Revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions ⁴
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ²
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2 ⁵
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use ²
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of New and Revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 (2019: three) operating business units which represent three (2019: 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 2020

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	11,315	3,187	–	14,502
Dividend and distribution income	32,655	–	–	32,655
Fee and commission income	–	5,109	–	5,109
Rental income	–	–	1,949	1,949
Segment revenue	<u>43,970</u>	<u>8,296</u>	<u>1,949</u>	<u>54,215</u>
Segment results	<u>83,858</u>	<u>4,180</u>	<u>1,989</u>	<u>90,027</u>
Unallocated other income				143
Unallocated corporate expenses				(5,580)
Decrease in fair value of investment properties				(11,423)
Profit before taxation				<u>73,167</u>

For the year ended 31 December 2019

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	15,190	458	–	15,648
Dividend and distribution income	6,930	–	–	6,930
Fee and commission income	–	2,288	–	2,288
Rental income	–	–	2,244	2,244
Segment revenue	<u>22,120</u>	<u>2,746</u>	<u>2,244</u>	<u>27,110</u>
Segment results	<u>59,791</u>	<u>(2,541)</u>	<u>2,279</u>	<u>59,529</u>
Unallocated corporate expenses				(6,579)
Decrease in fair value of investment properties				(5,131)
Provision of impairment on non-financial assets				(4,327)
Profit before taxation				<u>43,492</u>

Segment results represent the profit or loss earned, generated or incurred by each segment without allocation of central administration costs, unallocated other income, decrease 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 2020

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	<u>1,323,962</u>	<u>210,923</u>	<u>65,090</u>	1,599,975
Unallocated corporate assets				<u>31,386</u>
Total assets				<u><u>1,631,361</u></u>
LIABILITIES				
Segment liabilities	<u>107</u>	<u>48,577</u>	<u>680</u>	49,364
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				<u>849</u>
Total liabilities				<u><u>60,052</u></u>

At 31 December 2019

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	<u>1,258,298</u>	<u>184,163</u>	<u>89,700</u>	1,532,161
Unallocated corporate assets				<u>19,256</u>
Total assets				<u><u>1,551,417</u></u>
LIABILITIES				
Segment liabilities	<u>112</u>	<u>45,955</u>	<u>810</u>	46,877
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				<u>1,029</u>
Total liabilities				<u><u>57,745</u></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 and other receivables.
- all liabilities are allocated to operating segment other than certain other payables.

(c) **Other segment information**

For the year ended 31 December 2020

	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)	–	59	–	7	66
Additions to financial assets at financial assets through profit or loss	37,222	–	–	–	37,222
Additions to investments in debt instruments measured at amortised cost	19,162	–	–	–	19,162
Additions to investments in perpetual notes at fair value through profit or loss	1,540	–	–	–	1,540
Depreciation of property, plant and equipment	–	(40)	–	(674)	(714)
Depreciation of right-of-use assets	–	(198)	–	–	(198)
Finance costs	–	(366)	–	–	(366)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	36,627	–	–	–	36,627
Gain on disposal of investments in debt instruments measured at amortised cost	124	–	–	–	124
Interest income (including interest on bank deposits)	17,087	5,019	–	4	22,110

For the year ended 31 December 2019

	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)	–	57	–	8	65
Additions to financial assets at financial assets through profit or loss	52,761	–	–	–	52,761
Additions to investments in debt instruments measured at amortised cost	4,701	–	–	–	4,701
Depreciation of property, plant and equipment	–	(26)	–	(478)	(504)
Depreciation of right-of-use assets	–	(278)	–	–	(278)
Finance costs	–	(134)	–	–	(134)
Share of results of associates	–	(20)	–	–	(20)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	26,427	–	–	–	26,427
Loss on disposal of investments in debt instruments measured at amortised cost	(334)	–	–	–	(334)
Interest income (including interest on bank deposits)	30,023	817	–	–	30,840

Note: Non-current assets excluded financial assets at fair value through profit or loss (“FVTPL”), investments in perpetual notes at FVTPL, investments in debt instruments measured at amortised cost, 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	
	2020 USD'000	2019 USD'000	2020 USD'000	2019 USD'000
Singapore	2,502	2,542	–	–
Hong Kong	18,928	16,970	115,887	127,691
People's Republic of China	24,736	–	–	–
United States of America	2,603	659	–	–
Europe	5,372	5,879	–	–
Others	74	1,060	–	–
	<u>54,215</u>	<u>27,110</u>	<u>115,887</u>	<u>127,691</u>

Note: Non-current assets excluded financial assets at FVTPL, investments in perpetual notes at FVTPL, investments in debt instruments measured at amortised cost, and other receivables and deposits.

(e) **Information about major customers**

For the year ended 31 December 2020, one customer contributed over 10% of the total revenue with the amount of USD24,735,000 from principal investment business (2019: nil).

3. **REVENUE**

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

	2020 USD'000	2019 USD'000
Interest income from financial products	4,510	5,335
Interest income from money lending business	64	7
Interest income from margin financing	3,123	451
Interest income from financial institutions' term deposits	6,805	9,855
Interest income	<u>14,502</u>	<u>15,648</u>
Dividend and distribution income from financial products	32,655	6,930
Commission income and handling charges from financial services	4,886	1,903
Asset management fee income	223	385
Fee and commission income	<u>5,109</u>	<u>2,288</u>
Rental income	1,949	2,244
	<u>54,215</u>	<u>27,110</u>

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

Fee and commission income

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

Asset management services to customers are recognised over time, the fee income is recognised as a performance obligation satisfied over time.

4. TAXATION

	2020 USD'000	2019 USD'000
Current tax — Hong Kong Profits Tax		
Charge for the year	4	–
Over provision in prior year	–	(6)
Taxation for the year	<u>4</u>	<u>(6)</u>

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

5. PROFIT FOR THE YEAR

	2020 USD'000	2019 USD'000
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments	1,064	922
– Other staff costs	5,437	5,119
– Contributions to retirement benefits schemes, excluding directors	121	264
Total staff costs	<u>6,622</u>	<u>6,305</u>
Auditors' remuneration	192	177
Depreciation of property, plant and equipment	714	504
Depreciation of right-of-use assets	198	278
Provision of impairment on non-financial assets:		
– Assets held for sale	–	4,327
Exchange loss, net, included in other loss	2,707	3,879
Interest income from bank deposits, included in other income	(7,608)	(15,192)
Government grants, included in other income (note)	(476)	–

Note: During the year ended 31 December 2020, the Group recognised government grants of USD476,000 in respect of COVID-19-related subsidies, of which USD455,000 relates to Employment Support Scheme provided by the Hong Kong government. In the opinion of the directors of the Company, the Group has fulfilled all conditions attached to the grants.

6. DIVIDEND

No dividend for the years ended 31 December 2019 and 2020 was declared, proposed, or paid for ordinary shareholders of the Company during the years of 2019 and 2020 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:

	2020 USD'000	2019 USD'000
Profit for the year attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<u>73,163</u>	<u>43,566</u>
	Number of shares	
	2020	2019
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>

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

8. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/INVESTMENTS IN PERPETUAL NOTES AT FVTPL

	2020 USD'000	2019 USD'000
Investments in debt instruments measured at amortised cost		
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	76,163	76,067
Floating Rate Senior Notes (Notes a, b, e)	24,815	32,065
Less: Expected credit losses (Note a)	<u>(1,088)</u>	<u>(121)</u>
	99,890	108,011
Less: Investments in debt instruments measured at amortised cost classified as current assets	<u>(40,526)</u>	<u>(11,447)</u>
Investments in debt instruments measured at amortised cost classified as non-current assets	<u>59,364</u>	<u>96,564</u>
Investments in perpetual notes at FVTPL		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	<u>59,143</u>	<u>58,471</u>
Financial assets at FVTPL		
Unlisted securities		
Unlisted investments (Note g)	284,167	223,135
Hong Kong listed equity securities (Note h)	<u>38,220</u>	<u>36,842</u>
	322,387	259,977
Less: Financial assets at FVTPL classified as current assets	<u>(29,869)</u>	<u>(36,842)</u>
Financial assets at FVTPL classified as non-current assets	<u>292,518</u>	<u>223,135</u>

Notes:

- (a) 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 year ended 31 December 2020, five of the Fixed Rate Senior Notes matured, one of the Fixed Rate Senior Notes was partially sold, three of the Fixed Rate Senior Notes were being called, one of the Fixed Rate Senior Notes and one of the Floating Rate Senior Notes were offered repurchase by the issuer prior to the maturity and were accepted by the Group. During the year ended 31 December 2019, three of the Fixed Rate Senior Notes matured, two of the Fixed Rate Senior Notes were sold and partially sold, one of the Fixed Rate Senior Notes and one of the Floating Rate Senior Notes were being called. For the year ended 31 December 2020, the gain on disposal including redemption of investments in debt instruments measured at amortised cost was USD124,000 (2019: loss on disposal of USD334,000).
- (c) Senior Notes held by the Group bear a fixed coupon interest rate of ranging from 2.375% to 9.15% (2019: from 2.375% to 7.5%) per annum and with maturity dates from 26 March 2021 to 13 November 2024 (2019: from 24 January 2020 to 13 November 2024), except for one of the Senior Notes carrying a gross amount of USD1,168,000 with original maturity date in October 2020 occurred a provision of lifetime expected credit loss of USD874,000 due to a credit event during the year ended 31 December 2020. The directors of the Company considered that the provision for ECL was sufficient.
- (d) Perpetual Notes held by the Group bear a floating rate of interest ranging from 4.5% to 7.625% (2019: from 4.5% to 7.625%) per annum and are callable from 30 March 2021 to 16 May 2025 (2019: from 30 March 2021 to 16 May 2025). The interest rates are subject to change at reset day with reset rate ranging from 2.648% to 7.773% (2019: 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 at a constant maturity having a designated maturity of 5 years or 3 months USD LIBOR or semi-annual USD 5 years mid-swap rate. During the year ended 31 December 2019, one of the Perpetual Notes was being called.
- (e) Senior Notes held by the Group bear a floating rate of ranging from 3.887% to 5% (2019: from 3.887% to 5%) per annum and with maturity dates from 10 August 2021 to 9 November 2047 (2019: 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% (2019: from 1.400% to 3.472%) plus 3 months USD LIBOR or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or USD 5 years mid-swap rate.
- (f) As at 1 January 2019, the Group held one unlisted investment fund which is managed by a financial institution and invests in real estate properties. The fair value of the real estate properties is determined by the market transaction prices of similar properties of the relevant locations. During the year ended 31 December 2019, the unlisted investment fund was closed, and the Group received a return of capital from the unlisted investments fund of USD889,000.
- (g) As at 31 December 2020, the unlisted investments classified as financial assets at FVTPL include unlisted investment funds and unlisted security shares with carrying values of USD190,377,000 and USD93,790,000 (2019: USD141,097,000 and USD82,038,000), respectively. In accounting for the fair value measurement of the investment in unlisted investment funds, the management of the Group has determined that the reported net asset values of the unlisted investment funds provided by the general partners represented the fair values of the unlisted investment funds. The management of the Group valued the fair value of the Group's investments pursuant to the reported net asset values without adjustment. The general partners used methodology based on relevant comparable data whenever possible to quantify the adjustment from cost or latest financing price when adjustment is 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 general partners' assessment may require the exercise of judgment. The underlying investments held by the investment funds were valued using transaction prices or latest finance price without adjustment.

As at 31 December 2020, the unlisted security shares are valued and categorised into Level 2 under the fair value hierarchy, and its fair value is derived from a quoted price from a signed sale and purchase agreement of its underlying investments and the transaction contemplated thereunder has been completed subsequent to the end of reporting period. As at 31 December 2019, the unlisted security shares were valued and categorised into Level 3 under the fair value hierarchy. The valuation technique adopted was the market approach (i.e. comparable companies approach), which was determined based on the valuation conducted by an independent professional valuer and the valuation method used was the Enterprise Value Multiples Methodology, adjusted for consideration of discount of lack of marketability with equity allocation method.

As at 31 December 2020, three (2019: three) out of these six (2019: five) unlisted investments accounted for 82% (2019: 95%) of the aggregate carrying value, with the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry and healthcare industry (2019: unlisted equity investments in technology, media and telecommunications industry and healthcare industry).

During the year ended 31 December 2020, an increase in fair value of USD34,238,000 (2019: USD18,622,000) was recognised in the profit or loss. During the year ended 31 December 2020, the Group received returns of capital of USD10,428,000 (2019: USD7,972,000) and plus distribution of USD26,535,000 (2019: USD929,000) from two (2019: two) of its unlisted investments.

- (h) 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 were suspended from trading as described below.

The Hong Kong listed equity investments classified as non-current assets as at 31 December 2020 represented ordinary shares of certain entities listed in Hong Kong. These investments were not held for trading, instead, they were held for long-term strategic purposes.

As at 31 December 2019 and 2020, the fair value of one of the Hong Kong listed equity investments, being shares suspended from trading, was estimated at nil. As there was an absence of quoted prices for the shares which was suspended for trading, the fair value was determined by valuation conducted by an independent valuer. The fair value was estimated based on the latest publicly available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer. The independent valuer conducted researches and estimated the liquidation value of the investee group, taking into account the prolonged duration of the suspension from trading of shares. The fair value of the investee group is assessed as nil as at 31 December 2019. As at 31 December 2020, the listing of shares had been cancelled by the Hong Kong Stock Exchange, and the management considered that the fair value was remained as nil.

During the year ended 31 December 2019, the Hong Kong listed equity investments classified as fair value through other comprehensive income (“FVTOCI”) were disposed of with, a consideration amounting to USD19,894,000 with which was also the fair value as at the date of disposal. The management of the Group was of the view that such investments (including their business development and management stability) were no longer in line with the Group’s incentive expectation and investment objective and decided to make such disposal. A cumulative loss on disposal of USD1,200,000 has been transferred to retained earnings.

9. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	2020 USD'000	2019 USD'000
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	15,884	2,972
Clearing house and brokers	4,660	1,626
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	759	512
Accounts receivables (Note a)	<u>21,303</u>	<u>5,110</u>
Other receivables and deposits (Note d)	4,014	8,125
Less: Impairment allowance (Note c)	(18)	(18)
	<u>25,299</u>	<u>13,217</u>
Less: Other receivables and deposits classified as non-current assets	(796)	(793)
Accounts and other receivables classified as current assets	<u><u>24,503</u></u>	<u><u>12,424</u></u>

Notes:

(a) 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.

(b) Majority of the accounts receivables form clients are secured by clients' securities as collaterals with fair value of USD108,700,000 (2019: USD31,267,000). A significant portion of the collaterals are listed equity securities in Hong Kong. These receivables are mainly repayable on demand subsequent to settlement date and carry interest typically at 3% to 13% (2019: 3% to 11.25%) per annum as at 31 December 2020. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by customers. 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 the business.

(c) Impairment assessment on accounts and other receivables with expected credit loss ("ECL") model

As part of the Group's credit risk management, the Group applied internal credit rating for its customers and considers the fair value of its collateral. The Group assessed the ECL for accounts receivables form clients individually.

The Group held collateral of listed equity securities with a fair value of USD108,700,000 (2019: USD31,267,000) at the end of the reporting period in respect of accounts receivables from clients. No impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD15,545,000 (2019: USD2,627,000) based on the Group's impairment assessment with ECL model.

(d) Included in other receivables and deposits are interest receivables and sundry deposits amounting to USD2,630,000 and USD962,000 (2019: USD5,805,000 and USD1,210,000), respectively.

10. ACCOUNTS AND OTHER PAYABLES

	2020 USD'000	2019 USD'000
Accounts payables from the business of dealing in securities:		
Clients	45,159	43,478
Brokers	1,011	3
Accounts payables from the business of dealing in futures contracts:		
Clients	1,423	1,329
Accounts payables (Note a)	<u>47,593</u>	<u>44,810</u>
Other payables (Note b)	<u>12,091</u>	<u>12,371</u>
	<u>59,684</u>	<u>57,181</u>

Notes:

- (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, the ageing analysis does not give additional value in view of the nature of these businesses.
- (b) As at 31 December 2020, included in other payables are USD9,839,000 (2019: USD9,839,000) relating to the liabilities arising from the disposal of mining business during the year ended 31 December 2016.

11. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>60,000,000,000</u>	<u>76,923</u>
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>27,048,844,786</u>	<u>34,871</u>

12. OTHER COMMITMENTS

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

	2020 USD'000	2019 USD'000
Other commitments contracted for but not provided for in the consolidated financial statements in respect of capital contribution in unlisted investments which are recognised as financial assets at FVTPL	<u>81,485</u>	<u>109,945</u>

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 December 2020 (the “Year”).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Results

Below is a summary of the financial information:

	2020 USD'000	2019 USD'000
Revenue	54,215	27,110
Other income	8,142	15,257
Administrative expenses	(10,477)	(12,038)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	36,627	26,427
Decrease in fair value of investment properties	(11,423)	(5,131)
Other loss	(2,708)	(3,879)
Provision of impairment on non-financial assets	–	(4,327)
EBITDA	74,445	44,408
Profit before taxation (Note)	73,167	43,492
Profit for the year	73,163	43,498

Analysis of revenue by operating segment:

(i) Financial Services Business	8,296	2,746
(ii) Principal Investment Business	43,970	22,120
(iii) Real Property Business	1,949	2,244

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

(i) Financial Services Business	4,180	(2,541)
(ii) Principal Investment Business	83,858	59,791
(iii) Real Property Business	1,989	2,279

Note: The profit before taxation included segment results, unallocated other income, unallocated corporate expenses, impairment loss on non-financial assets and fair value changes of investment properties.

For the Year, the Group achieved a net profit after tax of USD73.2 million (2019: USD43.5 million). The main reason for the increase in net profit after tax by USD29.7 million as compared to the year of 2019 was due to the combined effect of the following: (i) an increase in revenue by USD27.1 million; (ii) an increase in fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss (“FVTPL”) by USD10.2 million; (iii) a decrease in administrative expenses by USD1.5 million; and (iv) no provision for impairment on non-financial assets for the Year (2019: USD4.3 million). However, the effect was offset by (i) an increase in fair value loss of investment properties in 2020 of USD6.3 million; and (ii) decrease in other income by USD7.1 million.

Revenue was USD54.2 million (2019: USD27.1 million), mainly generated by the dividend and distribution income as well as interest income from financial products; interest income from financial institutions and margin financing; commission income and handling charges from financial services; as well as rental income. The increase in revenue was mainly due to (i) an increase in commission income and handling charges from financial services and interest income from margin financing by USD5.7 million; and (ii) a significant net increase in dividend and distribution income and interest income from financial products under principal investment business by USD24.9 million, which was mainly attributable to distribution income received from our unlisted investments. However, the effect was partially offset by a slight decrease in interest income by USD3.1 million from financial institutions.

Other income was USD8.1 million for the Year comprises interest income generated from the fixed income investment, amounted to USD7.6 million (2019: USD15.2 million), and government grants amounted to USD0.5 million in respect of COVID-19-related subsidies.

Fair value of the investment properties has dropped by USD11.4 million due to continual decline in prices of Hong Kong housing and commercial properties in 2020. The recognition of exchange loss of USD2.7 million was due to the change in exchange rate for the year end balance for the Year. The increase in fair value changes of financial assets and investments in perpetual notes at FVTPL was mainly due to the net increase in fair value of the listed shares, listed bonds and unlisted investments which were mainly acquired in previous years.

Administrative expenses were USD10.5 million for the Year, a slight decrease of USD1.5 million as compared with USD12.0 million for the corresponding year. Such decrease was mainly due to effective expenses control of the Group 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 interest income, dividend income and distribution income from financial assets held by the Group in its principal investment business. The Group takes a prudent approach in allocating its financial assets. Apart from equity investments which are usually accompanied by higher market risks, the Group has been exploring for 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 2018, in consideration of 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 serves 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, 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 seen typical in equity investment.

Segment analysis

(i) Financial Services Business

The Group focuses on four key financial services business areas mainly in the Hong Kong market, which are (i) securities trading and brokerage, (ii) margin financing, (iii) money lending, and (iv) asset management. Enhanced Financial Services Group Limited and Funderstone Securities Holdings Limited are the two limbs of the Group involved in the provision of a wide range of licensed financial services, which principally include underwriting, securities and futures brokerage, corporate finance, investment advisory, and other related financial services in Hong Kong and other countries.

In 2020, the Group has already commenced to yield favourable rewards marking satisfactory progress after implementing the transformation plan for our margin financing and money lending business. Following the momentum in the first half of 2020, the Group has noted remarkable success in three of our key financial services areas, namely, margin financing, initial public offerings (“IPO”) margin financing, and underwriting services benefiting from the Group’s diversified product offerings and high-quality client base. The Group believes that it has developed a niche in the margin financing market to serve corporate and retail clients in meeting their corporate goals and personal needs. The Group managed to build on our renowned reputation for delivering professional and personalised services and achieved outstanding results for both our margin financing and IPO margin financing businesses. As compared to the year of 2019, the Group also reengaged in underwriting exercises during the Year. The Group will continue to actively identify business opportunities and expanded into more business lines and provide greater variety of financial services to investors.

Revenue generated from the financial services business mainly consists of (i) commission income and handling charges from financial services; (ii) interest income from margin financing and money lending business; and (iii) asset management fee income.

The profit before taxation was USD4.2 million (2019: loss before taxation: USD2.5 million), which was mainly due to the increase in commission income and handling charges from financial services, interest income from margin financing and money lending business; and other income for the Year.

Commission income and handling charges

During the Year, the commission income and handling charges from financial services was USD4.9 million (2019: USD1.9 million). The increase of the commission income and handling charges was mainly due to an increase in trading volume derived from new clients’ acquisition and business from underwriting services, and the handling charges from providing margin financing and IPO margin financing.

Interest income from margin financing and money lending business

The interest income from margin financing and money lending business was USD3.2 million (2019: USD0.5 million). The increase was driven by the new business line of IPO margin financing and the secured mortgage loan granted in the Year.

The interest income from margin financing increased by USD2.7 million compared to the corresponding year. Such increase was due to the satisfactory progress of the transformation plan and the continued strengthening of our margin financing and IPO margin financing businesses. The accounts receivables from clients increased tremendously to USD15.9 million (as at 31 December 2019: USD3.0 million). The Group has spent tremendous effort to promote the margin financing and IPO margin financing business during the Year, including but not limited to: (i) developing mutual cooperative arrangements with multiple brokerage firms; (ii) deepening the relationship with existing clients by offering more comprehensive and tailor-made services; and (iii) further strengthening brand name through different marketing campaigns. During the Year, over 470,000 clients have made IPO margin financing subscription through multiple business channels. The Group provided IPO margin financing for 76 IPO stocks and the total IPO subscription amount for such stocks was over USD3.9 billion.

As compared to the year of 2019, instead of providing unsecured loans, the Group accentuated our secured and mortgage loans business under the transformation plan during the Year. During the Year, the Group's loan advanced for money lending business was USD1.0 million and the outstanding loan balance as at 31 December 2020 was USD0.9 million. The Group had no bad debts during the Year. Although a lower interest rate will be offered for secured loans as they are backed by collateral, the credit risk was comparatively lower than that of unsecured loans.

(ii) Principal Investment Business

During the Year, the Group invested USD37.2 million in unlisted financial assets, which was mainly payment for a commitment of the unlisted investments under the funds subscribed by the Group since 2017, namely Genesis Capital II LP and Terra Magnum Fund I LP. During the Year, the Group (i) invested USD20.7 million in listed bonds; and (ii) disposed and accepted early repurchase of listed bonds of USD25.9 million. Other than the abovementioned reasons, the net increase of USD55.0 million in non-cash financial assets was primarily due to the net effect of return of capital from the unlisted investments, and the net realised and unrealised fair value gain on the listed shares, listed bonds and unlisted investments mainly acquired in previous years.

The profit before taxation was USD83.9 million which mainly included interest income and dividend and distribution income from the financial assets of USD49.7 million, fair value changes for financial assets and investments in perpetual notes at FVTPL of USD36.7 million, and offset by exchange loss of USD1.6 million.

As at 31 December 2020, the Group held USD481.4 million non-cash financial assets, as follows:

	2020	2019
	USD'000	USD'000
Listed shares	38,220	36,842
Listed bonds	159,033	166,482
Unlisted investments	284,167	223,135
Total	<u>481,420</u>	<u>426,459</u>

Significant Investments

Genesis Capital I LP (“Genesis Fund”)

The Group held limited partner interest of Genesis Fund as an unlisted investment since April 2017. The diversified investment portfolio of the Genesis Fund operates in the form of a limited partnership, yielding returns from investing in a wide range of equity and equity-related securities of growth and late-stage technology entities. The Group’s capital commitment to Genesis Fund accounts for 17.8% of total partners’ capital commitment as at 31 December 2020. The fair value of the investment as at 31 December 2020 was USD140.5 million, which accounted for 8.6% of the total assets of the Group as at 31 December 2020. The investment cost of Genesis Fund was USD76.1 million (2019: USD82.8 million). The decrease in investment cost was mainly due to return of capital.

Genesis Fund has achieved income generation and seen capital appreciation during the three years’ time since our investment in April 2017. For the Year, the realised and unrealised gains of the investment were USD24.7 million and USD16.9 million, respectively. Moving forward, the Group is optimistic about the potential of this investment. It is expected that the information technology for both consumer and enterprise sectors in China will continue to grow in fast pace under a new wave of innovations which will create new internet platforms with great potential for developments, and thus present rewarding investment opportunities. During the year, the outbreak of COVID-19 has minimal impact on Genesis Fund’s daily operations in 2020 and commercial activities in China generally enjoyed strong rebound in the third and fourth quarter of 2020. We believe business fundamentals of our portfolio companies under Genesis Fund remain strong. Being a limited partner of Genesis Fund, based on the proven track record, the Group believes that by leveraging the strategic and extensive resources available and extensive experience in investment and fund operation in the technology, media and telecommunications industry possessed by Genesis Fund’s management team, the investment will continue to bring about valuable investment opportunities and increasing financial returns.

Edge Special Opportunity Limited (“Edge Special”)

The Group held ordinary shares and preferred shares interest of Edge Special (the “Shares”) as unlisted investments. As at 31 December 2020, Edge Special is an investment holding company which owned 19.6% interests of SSC Holdco Limited (“SSC”), which is a company incorporated in the Cayman Islands holding interests in medical device business. The business and affairs of Edge Special shall be managed and conducted by its sole director, who shall be appointed by ZQ Capital Services Limited (“ZQ Capital”), being the special shareholder. The total issued share capital of Edge Special consists of 50,000 special shares, 30,000 ordinary shares and 34,000 preferred shares. The Company is the ultimate sole owner of the entire issued ordinary shares and preferred shares as at 31 December 2020. The fair value of the Shares as at 31 December 2020 were USD93.8 million, which accounted for 5.7% of the total assets of the Group as at 31 December 2020 in aggregate. The investment cost of the Shares was USD63.9 million.

Edge Special had seen capital appreciation from our initial investment in February 2017 up to 31 December 2020. For the Year, there was no realised gain from the investment in the Shares but the unrealised gain of this investment was USD11.8 million. As at the date of this announcement, Edge Special no longer holds interest in SSC. ZQ Capital is assessing the investment portfolio, moving forward, the Group is optimistic about the potential of this investment which will continue to focus on healthcare industry and believes it will create on-going financial returns. COVID-19 pandemic has been placing enormous strain on the global health care sector’s workforce, infrastructure, and supply chain, and accelerating change across the ecosystem. Such changes lead to cooperation of public and private health systems and innovation of provision of healthcare products and services.

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 total assets as at 31 December 2020.

(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 by our head office and subsidiaries 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 USD1.9 million and USD2.0 million (2019: USD2.2 million and USD2.3 million) for the Year, respectively, which were relatively stable as compared to the same period in 2019. The slight decrease in rental income was due to one of the leased commercial offices being used for own consumption by our subsidiaries during the Year.

The Group has been seeking for investment opportunities for quality and upscale commercial properties and other types of properties. Apart from properties in Hong Kong, the Group has been seeking investment opportunities in other regions, including North America and European countries, and also exploring opportunities to gain exposure to Grade A office spaces and business parks in Greater Bay Area (i.e. Shenzhen and Guangzhou). However, 2020 is a challenging year for Hong Kong's office leasing market, which has been adversely affected by the economic recession, geopolitical tensions and outbreak of COVID-19. Leasing demand remained subdued with the new lettings in the central business districts dropped significantly and the vacancy rate in the overall office market kept rising as compared to 2019. Due to the uncertainty in Hong Kong commercial market and the difficulty for the Group to conduct physical examination of properties in other countries under the current restrictive travelling measures, the Group did not identify properties which are suitable for our value-add or opportunistic investment strategies.

Review of Group Financial Position

	2020 USD'000	2019 USD'000
Current Assets		
Bank balances and cash	964,665	940,486
Financial assets at FVTPL	29,869	36,842
Investments in debt instruments measured at amortised cost	40,526	11,447
Others	68,593	55,988
Non-current Assets		
Financial assets at FVTPL	292,518	223,135
Investments in debt instruments measured at amortised cost	59,364	96,564
Investments in perpetual notes at FVTPL	59,143	58,471
Investment properties	64,899	89,507
Others	51,784	38,977
Total Assets	1,631,361	1,551,417
Other Liabilities	(60,052)	(57,745)
Net Assets	1,571,309	1,493,672

Non-current assets were USD527.7 million (2019: USD506.7 million), representing an increase of USD21.0 million. It was mainly due to (i) net increase in investment in financial assets at FVTPL of USD69.4 million; and (ii) additions in listed bonds of USD20.7 million, which was partially offset by (i) the reclassification of investments in debt instruments measured at amortised costs from non-current asset to current asset of USD50.5 million; and (ii) an increase in fair value loss of investment properties of USD6.3 million. Current assets were USD1,103.7 million (2019: USD1,044.8 million), representing an increase by USD58.9 million, which was mainly due to net increase in (i) investments in debt instruments measured at amortised costs of USD29.1 million; (ii) bank balances and cash of USD24.2 million; and (iii) other current assets of USD12.6 million. Such effect was partially offset by a decrease in financial assets at FVTPL of USD7.0 million.

Net Asset Value

As at 31 December 2020, the Group's net assets amounted to USD1,571.3 million, representing an increase of USD77.6 million as compared to USD1,493.7 million as at 31 December 2019. The increase in net assets was mainly due to the profit for the Year of USD73.2 million and the exchange difference arising from the translation of USD4.5 million.

Cash Flow, Liquidity and Financial Resources

Cash Flow Summary

	2020	2019
	USD'000	USD'000
Net cash from Operating Activities	17,339	39,540
Net cash from Investing Activities	3,551	27,657
Cash used in Financing Activities	(567)	(19,218)
Net increase in cash and cash equivalents	20,323	47,979
Cash and cash equivalents at beginning of the year	940,486	887,070
Effect of foreign exchange rate changes	3,856	5,437
Cash and cash equivalents at end of the year	964,665	940,486

The Group's cash balance as at 31 December 2020 was USD964.7 million (2019: USD940.5 million). The net cash from operating activities for 2020 of USD17.3 million was mainly contributed to the working capital of operations. Net cash from investing activities was USD3.6 million mainly included USD22.6 million from interest received, which was partially offset by net outflows of investments of USD19.6 million. Cash used in financing activities was USD0.6 million mainly included the finance cost paid and repayments of leases liabilities.

The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2020 and 2019.

Capital Structure of the Group

The capital structure of the Group has not changed materially since 30 June 2020, being the end of the reporting period of the Group's interim report.

Material Acquisitions and Disposals

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 final results announcement.

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 2020, no assets of the Group had been pledged.

Business Outlook

Leveraging 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 2021 under the current economic environment.

Financial services business. The Group will continue to focus on the four key financial services business areas, which are (i) securities trading and brokerage, (ii) margin financing, (iii) money lending, and (iv) asset management. The reasonable commission rate, quality and prompt service, strong financial resources, and the reliable trading system shall enable our financial services business to establish a strong client loyalty and stable client base over the years.

The Group has placed great efforts in promoting and expanding its IPO margin financing business in 2020 through different channels, including existing clients, brokerage firms and its network of account executives and the Group’s interest income deriving from IPO margin financing increased significantly. On the other hand, the active Hong Kong securities market from 2020 has also benefited our securities trading and brokerage business which yielded positive results with a satisfactory growth as compared to 2019. Given the continual wave of flock back of US-listed Chinese companies to Hong Kong for primary and secondary listings, the Group believes that we are able to seize the opportunities in the IPO market and gain the benefit to offer IPO margin financing as the number of IPOs in Hong Kong is expected to increase in 2021. The Group will build on its existing promotion strategies through the use of its multiple channels, including advertisements and marketing campaigns, as well as other brand building and brand awareness activities, and incentive measures to further strengthen its IPO margin financing business and leverage the activeness of the Hong Kong securities market to enhance our client coverage on the securities trading and brokerage business. The Group will closely monitor securities market developments, in particular IPOs and actively review all of its implemented strategies to maximise benefits arising from such market.

Further, the Group will also continue to explore other possibilities in expanding our client high-quality base and strengthen our relationship with major institutional clients by offering more comprehensive and tailor-made financial products and services. The Group will continue to participate in underwriting services as well as other related services including placing when suitable opportunities arise. In relation to our asset management business, the Group will continue to provide customised discretionary investment management services to high-net-worth clients and to further enhance brand awareness and market reputation.

Principal investment business. The Group's existing investment portfolio consists of a combination of diversified investment in funds, bonds and securities (including listed or unlisted securities) which we invested in the past years. In 2021, the Group has been reviewing and will continue to review its existing investment portfolio. Where its investment team considers that suitable opportunities arise which are very beneficial to the Group and can elevate the Group's overall profitability and returns, the Group may invest in such investment products.

Real property business. The Group has resumed a more active role in seeking investment opportunities for quality and upscale commercial properties and other types of properties as the COVID-19 pandemic gradually eases. Since the second half of 2020, the Group has begun exploring distressed and foreclosed properties available in the areas where the Group is focusing on, and assessing the capital returns and rental yield of such properties. The Group will continue to explore other properties that can provide a higher return as well as good potential capital appreciation in the future. The Group will take all necessary and proper assessment if we intend to acquire any new properties.

Looking-forward. The COVID-19 pandemic has carried on for over a year and had by far severely affected the global economy and corporate earnings. In view of continued uncertainties on its impact on the global markets, G-Resources will maintain a balanced and prudent approach to asset allocation while seizing all possible opportunities to further develop and expand our businesses.

Human Resources

As at 31 December 2020, the Group had 64 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. The 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 Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 (“Listing Rules”). The Company has made specific enquiry of all directors of the Company 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 all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules for the Year.

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.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in the preliminary announcement have been audited by the Group’s auditor, Moore Stephens CPA Limited. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement.

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 or before 30 April 2021.

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, 26 March 2021

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 directors 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*