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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 2021

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	2021 USD'000	2020 USD'000
Revenue			
Interest income	3	9,155	14,502
Dividend and distribution income	3	47,677	32,655
Fee and commission income	3	4,610	5,109
Rental income	3	1,723	1,949
		<u>63,165</u>	<u>54,215</u>
Other income		1,201	8,142
Administrative expenses		(11,148)	(10,477)
Gain on disposal of investments in debt instruments measured at amortised cost		2	124
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss (“FVTPL”)		18,050	36,627
Provision for expected credit losses on financial assets, net		(4,326)	(967)
Increase/(decrease) in fair value of investment properties		141	(11,423)
Other gain/(loss)		2,838	(2,708)
Finance costs		(6)	(366)
Profit before taxation		<u>69,917</u>	<u>73,167</u>
Taxation	4	4	(4)
Profit for the year	5	<u><u>69,921</u></u>	<u><u>73,163</u></u>
Profit for the year attributable to:			
Owners of the Company		69,878	73,163
Non-controlling interests		43	–
		<u><u>69,921</u></u>	<u><u>73,163</u></u>
			(Restated*)
Earnings per share			
– Basic and diluted (US cent)	7	<u><u>15.50</u></u>	<u><u>16.23</u></u>

* Restated due to capital reorganisation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 USD'000	2020 USD'000
Profit for the year	69,921	73,163
Other comprehensive (expenses)/income:		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	(7,964)	5,903
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>2,011</u>	<u>(1,429)</u>
Other comprehensive (expense)/income for the year	<u>(5,953)</u>	<u>4,474</u>
Total comprehensive income for the year	<u>63,968</u>	<u>77,637</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	63,925	77,637
Non-controlling interests	<u>43</u>	<u>–</u>
	<u>63,968</u>	<u>77,637</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>NOTES</i>	2021 USD'000	2020 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		30,295	31,219
Right-of-use assets		137	51
Investment properties		64,669	64,899
Financial assets at FVTPL	8	497,593	292,518
Investments in debt instruments measured at amortised cost	8	44,977	59,364
Investments in perpetual notes at FVTPL	8	29,033	59,143
Other receivables and deposits	9	834	796
Intangible assets		1,746	1,746
Goodwill		17,972	17,972
		<u>687,256</u>	<u>527,708</u>
CURRENT ASSETS			
Accounts and other receivables	9	19,705	24,503
Loans receivable		–	903
Investments in debt instruments measured at amortised cost	8	14,038	40,526
Financial assets at FVTPL	8	29,552	29,869
Tax recoverable		–	97
Bank trust accounts balances		39,430	43,090
Bank balances and cash		900,845	964,665
		<u>1,003,570</u>	<u>1,103,653</u>
CURRENT LIABILITIES			
Lease liabilities		112	54
Accounts and other payables	10	52,612	59,684
Tax payable		–	26
		<u>52,724</u>	<u>59,764</u>
NET CURRENT ASSETS		<u>950,846</u>	<u>1,043,889</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,638,102</u>	<u>1,571,597</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		288	288
Lease liabilities		27	–
		<u>315</u>	<u>288</u>
		<u>1,637,787</u>	<u>1,571,309</u>
CAPITAL AND RESERVES			
Share capital	11	598	34,871
Reserves		1,634,636	1,536,438
Equity attributable to owners of the Company		1,635,234	1,571,309
Non-controlling interests		2,553	–
TOTAL EQUITY		<u>1,637,787</u>	<u>1,571,309</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 USD'000	2020 USD'000
OPERATING ACTIVITIES		
Profit before taxation	69,917	73,167
Adjustments for:		
Interest income	(5,860)	(18,923)
Depreciation of property, plant and equipment	778	714
Depreciation of right-of-use assets	120	198
Fair value changes of financial assets and investments in perpetual notes at FVTPL	(18,050)	(36,627)
Gain on disposal of investments in debt instruments measured at amortised cost	(2)	(124)
Provision for expected credit losses on financial assets, net	4,326	967
Finance costs	6	366
(Increase)/decrease in fair value of investment properties	(141)	11,423
Loss on write off of property, plant and equipment	–	1
Operating cash flows before movements in working capital	51,094	31,162
Decrease/(increase) in accounts and other receivables and deposits	2,163	(15,814)
Loans advanced to money lending customer	–	(1,031)
Repayments from money lending customer	901	129
(Increase)/decrease in financial assets at FVTPL	(36,855)	67
Decrease in bank trust accounts balances	3,634	378
(Decrease)/increase in accounts and other payables	(6,981)	2,448
Cash generated from operations	13,956	17,339
Income taxes recovered	75	–
Net cash from Operating Activities	14,031	17,339
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(30)	(66)
Purchase of financial assets at FVTPL	(219,032)	(37,222)
Purchase of investments in debt instruments measured at amortised cost	(27,238)	(19,162)
Purchase of investments in perpetual notes at FVTPL	–	(1,540)
Proceeds from disposal of investments in debt instruments measured at amortised cost	62,995	25,928
Proceeds from disposal of financial assets at FVTPL	–	1,975
Proceeds from disposal of investments in perpetual notes at FVTPL	28,518	–
Proceeds from return of capital of financial assets at FVTPL	70,282	10,428
Net proceeds from disposal of non-current asset classified as held for sale	–	600
Interest received	9,192	22,610
Net cash (used in)/from Investing Activities	(75,313)	3,551
FINANCING ACTIVITIES		
Repayments of leases liabilities	(120)	(201)
Interest expenses paid	(6)	(366)
Proceeds received from issues of shares of subsidiaries to non-controlling shareholders	1,310	–
Proceeds on disposal of partial interests in a subsidiary without losing control	1,200	–
Net cash from/(used in) Financing Activities	2,384	(567)
Net (decrease)/increase in cash and cash equivalents	(58,898)	20,323
Cash and cash equivalents at beginning of the year	964,665	940,486
Effect of foreign exchange rate changes	(4,922)	3,856
Cash and cash equivalents at end of the year, represented by Bank Balances and Cash	908,845	964,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 following amendments to Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “New and Revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the New and Revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year and/or disclosures set out in the consolidated financial statements.

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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021

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

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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 (2020: three) operating business units which represent three (2020: three) operating segments, namely, financial services business, principal investment 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 2021

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Eliminations USD'000	Total USD'000
External revenue					
Interest income	4,244	4,911	–	–	9,155
Dividend and distribution income	–	47,677	–	–	47,677
Fee and commission income	4,610	–	–	–	4,610
Rental income	–	–	1,723	–	1,723
	<u>8,854</u>	<u>52,588</u>	<u>1,723</u>	<u>–</u>	<u>63,165</u>
Inter-segment revenue	531	–	–	(531)	–
Segment revenue	<u>9,385</u>	<u>52,588</u>	<u>1,723</u>	<u>(531)</u>	<u>63,165</u>
Segment results	<u>4,035</u>	<u>64,300</u>	<u>1,751</u>	<u>–</u>	<u>70,086</u>
Unallocated other income					146
Unallocated corporate expenses					(456)
Increase in fair value of investment properties					<u>141</u>
Profit before taxation					<u>69,917</u>

For the year ended 31 December 2020

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

Segment results represent the profit or loss earned, generated or incurred by each segment without allocation of central administration costs, unallocated other income, change 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 2021

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	<u>186,683</u>	<u>1,408,848</u>	<u>64,802</u>	1,660,333
Unallocated corporate assets				<u>30,493</u>
Total assets				<u><u>1,690,826</u></u>
LIABILITIES				
Segment liabilities	<u>42,088</u>	<u>158</u>	<u>522</u>	42,768
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				<u>432</u>
Total liabilities				<u><u>53,039</u></u>

At 31 December 2020

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	<u>210,923</u>	<u>1,323,962</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>48,577</u>	<u>107</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>

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

- all assets are allocated to operating segments other than certain property, plant and equipment and other receivables.
- all liabilities are allocated to operating segments other than certain other payables.

(c) **Other segment information**

For the year ended 31 December 2021

	Financial services business USD'000	Principal investment 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)	18	–	–	12	30
Additions to financial assets at FVTPL	–	219,032	–	–	219,032
Additions to investments in debt instruments measured at amortised cost	–	27,238	–	–	27,238
Depreciation of property, plant and equipment	(38)	–	–	(740)	(778)
Depreciation of right-of-use assets	(120)	–	–	–	(120)
Finance costs	(6)	–	–	–	(6)
Fair value changes of financial assets and investments in perpetual notes at FVTPL	–	18,050	–	–	18,050
Gain on disposal of investments in debt instruments measured at amortised cost	–	2	–	–	2
Interest income (including interest on bank deposits)	4,428	5,676	–	–	10,104

For the year ended 31 December 2020

	Financial services business USD'000	Principal investment 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 FVTPL	–	37,222	–	–	37,222
Additions to investments in debt instruments measured at amortised cost	–	19,162	–	–	19,162
Addition to investments in perpetual notes at FVTPL	–	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 FVTPL	–	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)	5,019	17,087	–	4	22,110

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.

(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	
	2021 USD'000	2020 USD'000	2021 USD'000	2020 USD'000
Singapore	2,116	2,502	–	–
Hong Kong	14,652	18,928	114,819	115,887
People's Republic of China	6,410	24,736	–	–
United States of America	35,045	2,603	–	–
Europe	4,727	5,372	–	–
Others	215	74	–	–
	<u>63,165</u>	<u>54,215</u>	<u>114,819</u>	<u>115,887</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 2021, one (2020: one) customer contributed over 10% of the total revenue with the amount of USD29,796,000 from principal investment business (2020: USD24,735,000 from principal investment business).

3. **REVENUE**

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

	2021 USD'000	2020 USD'000
Interest income from financial products	3,589	4,510
Interest income from money lending business	20	64
Interest income from margin financing	4,224	3,123
Interest income from financial institutions' deposits	1,322	6,805
Interest income	<u>9,155</u>	<u>14,502</u>
Dividend and distribution income from financial products	47,677	32,655
Commission income and handling charges from financial services	4,418	4,886
Asset management fee income	192	223
Fee and commission income	<u>4,610</u>	<u>5,109</u>
Rental income	1,723	1,949
	<u>63,165</u>	<u>54,215</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

	2021	2020
	USD'000	USD'000
Current tax – Hong Kong Profits Tax		
Charge for the year	–	4
Over provision in prior years	(4)	–
Taxation for the year	(4)	4

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

5. PROFIT FOR THE YEAR

	2021	2020
	USD'000	USD'000
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments	1,149	1,064
– Other staff costs	5,328	5,437
– Contributions to retirement benefits schemes, excluding directors	133	121
Total staff costs	6,610	6,622
Auditors' remuneration	223	192
Depreciation of property, plant and equipment	778	714
Depreciation of right-of-use assets	120	198
Exchange (gain)/loss, net, included in other gain/(loss)	(2,838)	2,707
Interest income from bank deposits, included in other income	(949)	(7,608)
Government grants, included in other income (note)	(46)	(476)

Note: During the year ended 31 December 2021, the Group recognised government grants of USD46,000. In the opinion of the directors of the Company, the Group has fulfilled all conditions attached to the grants.

6. DIVIDEND

No dividend was paid or declared by the Group during the years ended 31 December 2021 and 2020. Subsequent to 31 December 2021, a final dividend in respect of the year ended 31 December 2021 of HKD0.12 (2020: Nil) per share, totaling approximately HKD54,098,000 (2020: Nil) has been proposed by the Board and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

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:

	2021 USD'000	2020 USD'000
Profit for the year attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<u>69,878</u>	<u>73,163</u>
	Number of shares	
	2021	2020 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>450,814,079</u>	<u>450,814,079</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2020 has been adjusted retrospectively for the effect of share consolidation (details set out in note 11(a)) completed on 28 June 2021. No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

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

	2021 USD'000	2020 USD'000
Investments in debt instruments measured at amortised cost		
Debt securities listed in Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	5,655	–
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	39,898	76,163
Floating Rate Senior Notes (Notes a, b, e)	16,614	24,815
Less: Expected credit losses	<u>(3,152)</u>	<u>(1,088)</u>
	59,015	99,890
Less: Investments in debt instruments measured at amortised cost classified as current assets	<u>(14,038)</u>	<u>(40,526)</u>
Investments in debt instruments measured at amortised cost classified as non-current assets	<u>44,977</u>	<u>59,364</u>
Investments in perpetual notes at FVTPL		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	<u>29,033</u>	<u>59,143</u>
Financial assets at FVTPL		
Unlisted investments		
Unlisted investment funds (Note f)	403,514	284,167
Unlisted equity investments (Note g)	39,182	–
Convertible notes (Note h)	26,481	–
Listed equity investments (Note i)		
Listed in Hong Kong	43,466	38,220
Listed outside Hong Kong	<u>14,502</u>	<u>–</u>
	527,145	322,387
Less: Financial assets at FVTPL classified as current assets	<u>(29,552)</u>	<u>(29,869)</u>
Financial assets at FVTPL classified as non-current assets	<u>497,593</u>	<u>292,518</u>

Notes:

- (a) The Group's investments in debt instruments measured at amortised cost mainly comprise instruments that have a low risk of default or 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).
- (b) During the year ended 31 December 2021, thirteen of the Fixed Rate Senior Notes were matured, one of the Floating Rate Senior Notes was matured, one of the Fixed Rate Senior Notes was partially sold, nine of the Fixed Rate Senior Notes were sold, one of the Floating Rate Senior Notes was sold and three of the Fixed Rate Senior Notes were being called. For the year ended 31 December 2021, the gain on disposal including redemption of investments in debt instruments measured at amortised cost was USD2,000. During the year ended 31 December 2020, five of the Fixed Rate Senior Notes were 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. 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.
- (c) Senior Notes held by the Group bear a fixed coupon interest of ranging from 2.45% to 8.8% (2020: from 2.375% to 9.15%) per annum and with maturity dates from 3 March 2022 to 9 February 2026 (2020: from 26 March 2021 to 13 November 2024). As at 31 December 2021, two of the Senior Notes carrying a gross amount of USD1,014,000 with original maturity dates in February 2023 and July 2023 occurred a provision of lifetime expected credit loss ("ECL") of USD371,000. 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 ranging from 4.5% to 6.375% (2020: from 4.5% to 7.625%) per annum and are callable from 24 January 2022 to 16 May 2025 (2020: from 30 March 2021 to 16 May 2025). The interest rates are subject to change at reset day with reset rate ranging from 2.764% to 7.773% (2020: from 2.648% to 7.773%) plus 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 semi-annual USD 5 years mid-swap rate. During the year ended 31 December 2021, three of the Perpetual Notes were being called and one of the Perpetual Notes was sold.
- (e) Senior Notes held by the Group bear a floating rate of ranging from 1.524% to 5% (2020: from 3.887% to 5%) per annum and with maturity dates from 1 September 2023 to 9 November 2047 (2020: 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% (2020: 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 31 December 2021, the unlisted investment funds classified as FVTPL include unlisted private equity funds, unlisted hedge funds and unlisted security shares with carrying value of USD327,389,000, USD76,125,000 and nil (2020: USD190,377,000, nil and USD93,790,000), respectively.

In accounting for the fair value measurement of the investment in unlisted private equity funds, the management of the Group has determined that the reported net asset value of the unlisted private equity funds provided by the general partners represented the fair value of the unlisted private equity 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 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 unlisted private equity funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of judgment. For the unrestricted actively traded public equity and debt instruments in the unlisted private equity funds, the fair value is determined based on closing price or bid price as of measurement date.

As at 31 December 2021, three (2020: two) out of these seven (2020: four) unlisted private equity funds accounted for 84% (2020: 91%) of the aggregate carrying value, with the investment portfolio is focused in listed and unlisted equity investments in technology, media and telecommunications and healthcare industry.

During the year ended 31 December 2021, the Group invested in eleven (2020: none) unlisted hedge funds of USD76,125,000 (2020: nil) which are managed by fund managers and invested in a variety of global financial securities across a range of strategies. The financial products include listed and unlisted equity shares, government bonds, corporate bonds, convertible bonds, options, futures, and swap contracts.

In accounting for the fair value measurement of the investment in unlisted hedge funds, the management of the Group has determined that the reported net asset values of the unlisted hedge funds provided by fund managers represented the fair value of the unlisted hedge funds. Securities are listed or quoted on a national or regional securities or commodities exchange or market, are valued at their last sales price on the day of determination. The fair values of securities which are not listed or quoted are valued at the price of any recent transaction in issue with adjustments or observable prices in the open market or measured using techniques in which significant inputs are based on observable market data. The fair value of government bonds, corporate bonds, and convertible bonds is generally based on quoted prices or last reported sales prices when traded in active/observable markets. The fair value of options, futures and swap contracts is generally based on the last settlement price or quoted market prices on the date of determination. The factors to be considered in fund managers' assessments may require the exercise of judgment.

During the year ended 31 December 2021, an increase in fair value of unlisted investment funds of USD30,619,000 (2020: USD34,238,000) was recognised in the profit or loss. During the year ended 31 December 2021, the Group received returns of capital of USD70,282,000 (2020: USD10,428,000) plus distributions of USD39,833,000 (2020: USD26,335,000) from four (2020: two) of its unlisted investment funds.

As at 31 December 2020, the fair value of the unlisted security shares was derived from a quoted price from a signed sale and purchase agreement of its underlying investments and the transaction contemplated thereunder had been completed subsequent to the end of reporting period. The investment portfolio was focused in unlisted equity investments in healthcare industry. The Group received the amount in full during the year ended 31 December 2021.

- (g) During the year ended 31 December 2021, the Group acquired five unlisted equity investments of which three of them engaged in financial technology, and two engaged in information technology, with the carrying amount of USD39,182,000.

As at 31 December 2021, three unlisted equity investments are with the carrying amount of USD23,025,000. The valuation technique adopted is the market approach (i.e. comparable company approach) which was determined based on the valuation conducted by an independent professional valuer not connected to the Group. The valuation method used was the Guideline Public Company Method under Market Approach. The significant unobservable inputs are price-to-sales multiple of 29.6x, 30.0x and 43.45x.

As at 31 December 2021, two unlisted equity investments are with the carrying amount of USD16,157,000. The valuation technique adopted is the market approach (i.e. comparable company approach) which was determined based on the valuation conducted by an independent professional valuer not connected to the Group. The valuation method used was the Guideline Public Company Method under Market Approach with Option-Pricing Method to allocate the enterprise value among different classes of shares. The significant unobservable inputs are, price-to-sales multiple of 19.5x and price-to-book multiple of 6.69x, risk-free rate of 0.823% and 0.76%, expected volatility of 45.523% and 80.066%, expected initial public offering probability of 95% and 95%, expected redemption probability of 5% and 0%, and expected liquidation probability of 0% and 5%, respectively.

During the year ended 31 December 2021, an increase in fair value of unlisted equity investments of USD4,087,000 was recognised in profit or loss (2020: nil).

During the year ended 31 December 2021, approximately 8%, 3%, 2% and 2% of the shares of four subsidiaries of the Group, of which each subsidiary held one of the unlisted equity investments were subscribed by the Group's employees and independent third parties at considerations of USD640,000, USD200,000, USD200,000 and USD90,000, respectively. The considerations were determined based on the fair value at acquisition and they have been received during the year ended 31 December 2021.

- (h) During the year ended 31 December 2021, the Group acquired two convertible notes issued by independent third parties with the carrying amount of USD8,681,000 and USD17,800,000, respectively.

One of the convertible notes with the carrying amount of USD8,681,000 issued by an independent third party, which engaged in the business of information technology, in a principal amount of USD7,390,000 with the maturity date on 23 September 2022. The convertible notes carry interest at 4% per annum from the issuance date of the convertible notes through and including the maturity date and shall be payable quarterly. The convertible notes will be converted if there is an automatic conversion triggering event or upon the Group's election to convert all or part of the outstanding amount into shares of the issuer by, among other things, applying the applicable discount rate at 85% on the outstanding principal and interest accrued. The significant unobservable inputs used in the fair value measurement are equity value of the note issuer, risk-free rate of 0.298%, expected volatility of 40%, expected dividend yield of 0%, remaining option life of 0.73 years, and discount rate of 18%.

During the year ended 31 December 2021, approximately 2% of the shares of the Group's subsidiary which held the convertible notes was subscribed by Group's employees and independent third parties at a consideration of USD180,000. The consideration was determined based on the fair value at acquisition and it has been received during the year ended 31 December 2021. The convertible notes were subsequently converted in January 2022 at a fair value close to the year ended 31 December 2021.

One of the convertible notes with the carrying amount of USD17,800,000 issued by another independent third party, engaged in the business of manufacturing and development of an electric motor system utilising advanced cloud software, smart technologies furthering the Internet of things, and switched reluctance technology, in a principal amount of USD17,000,000 with the maturity date on 30 April 2023. The convertible notes carry interest at 1.0% per annum from the issue date of the convertible notes through and including the first anniversary of the 30 April 2021 ("Closing"); 7.0% per annum from but not including the first anniversary of the Closing and through and including the date 18 months after the Closing; and 8.0% per annum from but not including the date 18 months after the date of the Closing and through and including the maturity date. The convertible notes will be converted if there is an automatic conversion triggering event or upon the Group's election to convert all or part of the outstanding amount into shares of the issuer by, among other things, applying the applicable discount rate ranging from 75% to 85% on the outstanding principal and interest accrued. The significant unobservable inputs used in the fair value measurement are equity value of the note issuer, risk-free rate of 0.514%, expected volatility of 80%, expected dividend yield of 0%, remaining option life of 1.33 years, and discount rate of 16%.

During the year ended 31 December 2021, the Group disposed of approximately 7% of the shares of Group's subsidiary which held the convertible notes to the Group's employees and independent third parties at a consideration of USD1,200,000. The consideration was determined based on the fair value at acquisition and it has been received.

The fair value of the two convertible notes is determined and arrived using at a valuation conducted by an independent professional valuer not connected to the Group, using Monte Carlo simulations.

During the year ended 31 December 2021, increase in fair values of the two convertible notes of USD2,091,000 (2020: nil) were recognised in the profit or loss.

- (i) The fair value is determined based on the closing price per share quoted on the relevant stock exchanges and quoted market bid price as at the end of the respective reporting periods apart from the shares which the listing of shares had been cancelled by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the management considered that the fair value remained as nil.

9. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	2021 USD'000	2020 USD'000
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	15,651	15,884
Clearing house and brokers	2,832	4,660
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	593	759
Accounts receivables (Note a)	19,076	21,303
Other receivables and deposits (Note d)	1,618	4,014
Less: Impairment allowance (Note c)	(155)	(18)
	<u>20,539</u>	<u>25,299</u>
Less: Other receivables and deposits classified as non-current assets	(834)	(796)
Accounts and other receivables classified as current assets	<u><u>19,705</u></u>	<u><u>24,503</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) The majority of the accounts receivables from clients are secured by clients' securities as collaterals with fair value of USD164,241,000 (2020: USD108,700,000). 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 15% (2020: 3% to 13%) per annum as at 31 December 2021. 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 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 USD164,241,000 (2020: USD108,700,000) 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 USD15,001,000 (2020: USD15,545,000) 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 USD229,000 and USD1,001,000 (2020: USD2,630,000 and USD962,000), respectively.

10. ACCOUNTS AND OTHER PAYABLES

	2021 USD'000	2020 USD'000
Accounts payables from the business of dealing in securities:		
Clients	39,746	45,159
Brokers	554	1,011
Accounts payables from the business of dealing in futures contracts:		
Clients	995	1,423
Accounts payables (Note a)	<u>41,295</u>	47,593
Other payables (Note b)	<u>11,317</u>	12,091
	<u>52,612</u>	<u>59,684</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 2021, included in other payables are USD9,839,000 (2020: 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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>60,000,000,000</u>	<u>76,923</u>
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2020, 31 December 2020, and 1 January 2021	27,048,844,786	34,871
Consolidation of shares and cancellation of paid-up capital (Note a)	<u>(26,598,030,707)</u>	<u>(34,273)</u>
At 31 December 2021	<u>450,814,079</u>	<u>598</u>

Note:

(a) Capital reorganisation

Pursuant to the annual general meeting of the Company passed on 24 June 2021 and the approval granted by the Listing Committee of the Stock Exchange, the capital reorganisation set out below became effective on 28 June 2021:

- (i) every sixty (60) issued and unissued shares of the Company of par value of HKD0.01 each were consolidated into one (1) consolidated share of par value of HKD0.6 each and any fractional consolidated share in the issued share capital was cancelled; and
- (ii) the par value of each issued consolidated share was reduced from HKD0.6 to HKD0.01 by cancelling the paid-up capital to the extent of HKD0.59 on each issued consolidated share.

12. OTHER COMMITMENTS

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

	2021 USD'000	2020 USD'000
Other commitments contracted for but not provided for in the consolidated financial statements in respect of capital contribution in unlisted investments which will be recognised as financial assets at FVTPL	<u>113,948</u>	<u>81,485</u>

DIVIDENDS

The Board has proposed a final dividend of HKD0.12 per share (2020: Nil) for the financial year ended 31 December 2021. The proposed final dividend will be payable to shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on 6 July 2022 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders’ right to attend and vote at the forthcoming annual general meeting (“AGM”):

Latest time to lodge transfers	4:00 p.m. on 16 June 2022 (Thursday)
Closure dates of Register of Members (both days inclusive)	17 June 2022 (Friday) to 22 June 2022 (Wednesday)
Record date	22 June 2022 (Wednesday)
AGM	22 June 2022 (Wednesday)

For ascertaining Shareholders’ entitlement to the proposed final dividend#:

Latest time to lodge transfers	4:00 p.m. on 30 June 2022 (Thursday)
Closure date of Register of Members (both days inclusive)	4 July 2022 (Monday) to 6 July 2022 (Wednesday)
Record date	6 July 2022 (Wednesday)
Proposed final dividend payment date	18 July 2022 (Monday)

(#subject to Shareholders’ approval at the AGM)

During the periods of the closure of Register of Members, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong before the relevant latest time to lodge transfers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Results

Below is a summary of the financial information:

	2021 USD'000	2020 USD'000
Revenue	63,165	54,215
Other income	1,201	8,142
Administrative expenses	(11,148)	(10,477)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	18,050	36,627
Provision for expected credit losses on financial assets, net	(4,326)	(967)
Increase/(decrease) in fair value of investment properties	141	(11,423)
Other gain/(loss)	2,838	(2,708)
EBITDA	70,821	74,445
Profit before taxation (Note)	69,917	73,167
Profit for the year	69,921	73,163

Analysis of external revenue by operating segment:

(i) Financial Services Business	8,854	8,296
(ii) Principal Investment Business	52,588	43,970
(iii) Real Property Business	1,723	1,949

Analysis of profit before taxation by operating segment:

(i) Financial Services Business	4,035	4,180
(ii) Principal Investment Business	64,300	83,858
(iii) Real Property Business	1,751	1,989

Note: The profit before taxation included segment results, unallocated other income, unallocated corporate expenses and fair value changes of investment properties.

For the Year, the Group achieved a net profit after tax of USD69.9 million (2020: USD73.2 million). The decrease in net profit after tax by USD3.3 million as compared to the year of 2020 was mainly due to the combined effect of the following: (i) a decrease in the gain on fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss ("FVTPL") of USD18.6 million; (ii) a decrease in other income by USD6.9 million; (iii) an increase in provision for expected credit losses ("ECL") on financial assets by USD3.4 million; and (iv) an increase in administrative expenses by USD0.6 million. However, the effect was offset by (i) an increase in revenue by USD9.0 million; (ii) an improvement from the fair value loss of investment properties of USD11.4 million in 2020 to the fair value gain of investment properties of USD0.1 million in 2021; and (iii) an improvement from other loss of USD2.7 million in 2020 to other gain of USD2.8 million in 2021.

Revenue was USD63.2 million (2020: USD54.2 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 interest income from margin financing by USD1.1 million; and (ii) a significant net increase in dividend and distribution income and interest income from financial products under principal investment business by USD14.1 million, which was mainly attributable to distribution income received from our unlisted investments. However, the effect was partially offset by a decrease in interest income by USD5.5 million from financial institutions' deposits.

Other income was USD1.2 million (2020: USD8.1 million) for the Year and mainly comprises interest income generated from fixed income investment which amounted to USD0.9 million (2020: USD7.6 million), and government grants amounted to USD0.1 million in respect of COVID-19-related subsidies (2020: USD0.5 million).

A slower increase in fair value changes of financial assets and investments in perpetual notes at FVTPL was due to a composition of (i) payment for the commitments; (ii) fair value gain or loss; and (iii) netting off the distributions of investments during the Year.

An improvement from the fair value loss of the investment properties of USD11.4 million in 2020 to the fair value gain of the investment properties of USD0.1 million in 2021 was due to relatively stabilised prices of Hong Kong housing and commercial properties during the Year as compared to the corresponding period. The recognition of exchange gain of USD2.8 million was mainly due to the change in exchange rate during the Year.

Administrative expenses were USD11.1 million for the Year, a slight increase of USD0.6 million as compared with USD10.5 million for the corresponding year. Such increase was mainly due to the expansion of business development 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 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 for interest rates, 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 deposits with financial institutions), as part of its on-going investment strategies to eliminate the impact from market fluctuations that are seen typically 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 ("FSHL") 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 2021, the Group continued to implement the transformation plan, which aims to diversify product offerings and leverage the client base generated from the acquisition of FSHL Group as well as identified high-quality new client base. Following the momentum in 2020, the Group has noted growth in three of our key financial services areas, namely, margin financing, initial public offerings ("IPO") margin financing, and underwriting services. In particular, the Group benefited from the tremendous efforts put in our original margin financing business and the addition of IPO margin financing business through our experienced management team, well established securities trading infrastructure, strong client loyalty and multiple sales channels. The Group believes that it has developed and maintained a niche in the margin financing market to serve corporate and retail clients in meeting their corporate goals and personal needs by building on our renowned reputation in delivering professional and personalised financial services. The Group also continued with its underwriting exercises during the Year. The Group will continue to actively identify business opportunities, expand into more business lines and provide greater variety of financial services to our 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 (iii) asset management fee income.

The profit before taxation was USD4.0 million (2020: USD4.2 million), which was mainly due to the decrease in other income and was partially offset by the increase in interest income from margin financing for the Year.

Commission income and handling charges

During the Year, the commission income and handling charges from financial services were USD4.4 million (2020: USD4.9 million). The decrease of the commission income and handling charges was mainly due to a decrease in trading volume which mainly resulted from the adverse Hong Kong stock market during the Year.

Interest income from margin financing and money lending businesses

The interest income from margin financing was USD4.2 million (2020: USD3.1 million), which increased by USD1.1 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 business. The accounts receivables from clients was USD15.7 million as at 31 December 2021 (as at 31 December 2020: USD15.9 million). The Group spent tremendous efforts in promoting the margin financing and IPO margin financing businesses during the Year, including but not limited to: (i) expanding 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 our brand name through different marketing campaigns. During the Year, over 330,000 clients made IPO margin financing subscription through multiple business channels. The Group provided IPO margin financing for 64 IPO stocks and the total IPO subscription amount for such stocks was over USD3.7 billion.

Adhering to the transformation plan, the Group ceased to provide unsecured loan which is considered to be of higher credit risk, and accentuated our secured and mortgaged loans business since second quarter of 2019 which are backed by collateral with a comparatively lower credit risk.

The Group has set a more stringent risk control and management system, including optimised loan approval and monitoring procedures, as well as adjusted interest rate and loan-to-value ratio, which allows the Group to be better structured to serve existing and new clients and minimise the Group's risk exposure.

In addition, the Group persistently implemented cautious and prudent internal control measures, including but not limited to:

- periodic review of collateral value and quality;
- stress testing on borrowers' repayment ability and collateral value;
- on-going loan portfolio monitoring and management;
- watch list mechanism;
- overdue loan collection management; and
- loan impairment provision.

The Group has assessed the clients' risk profiles according to its internal credit control procedures and remains sensitive in minimising the credit risk that they are exposed to and is persistent in following its approach in developing the money lending business to achieve a risk-gain balance. Despite the difficulties and challenges ahead, the Group will continue to leverage our professionalism and solid experience in money lending business.

The Group had no bad debts during the Year.

(ii) Principal Investment Business

During the Year, the Group invested USD219.0 million in unlisted financial assets, which was mainly payment for a commitment of the unlisted investment funds, and acquisition of the unlisted investment funds, unlisted equity investments and convertible notes. During the Year, the Group (i) invested USD27.2 million in listed bonds; (ii) disposed, redemption and maturity of listed bonds of USD63.0 million; and (iii) had a net increase in listed shares of USD36.9 million. Other than the abovementioned reasons, the net increase of USD133.8 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 USD64.3 million which mainly included interest income, dividend and distribution income from the financial assets of USD53.4 million, fair value changes of financial assets and investments in perpetual notes at FVTPL of USD18.1 million, which was partially offset by (i) provision for ECL on financial assets of USD4.2 million; (ii) exchange loss of USD1.2 million; and (iii) administrative expenses of USD1.1 million.

As at 31 December 2021, the Group held USD615.2 million non-cash financial assets, as follows:

	2021	2020
	USD'000	USD'000
Listed shares	57,968	38,220
Listed bonds	88,048	159,033
Unlisted investment funds	403,514	284,167
Unlisted equity investments	39,182	–
Convertible notes	26,481	–
Total	<u>615,193</u>	<u>481,420</u>

Significant Investments

Genesis Capital I LP (“Genesis Fund”)

The Group held limited partner interest of Genesis Fund as an unlisted investment fund since April 2017. The diversified investment portfolio of the Genesis Fund operates in the form of a limited partnership, focusing on underlying investment opportunities in China which aligns with the theme of “Information Technology Improves Efficiency”. Based on this idea, Genesis Fund’s investment profile yields returns from investing in a wide range of equity and equity-related securities of growth and late-stage technology entities or business-to-business and business to consumer commerce such as software-as-a-service companies and e-commerce platforms. The Group’s capital commitment to Genesis Fund accounts for 17.8% of total partners’ capital commitment as at 31 December 2021. The fair value of the investment as at 31 December 2021 was USD171.6 million, which accounted for 10.1% of the total assets of the Group as at 31 December 2021. The investment cost of Genesis Fund was USD73.3 million (2020: USD76.1 million). The decrease in investment cost was mainly due to return of capital.

Genesis Fund has achieved income generation and seen capital appreciation since our investment in April 2017. For the Year, the realised and unrealised gains of the investment were USD5.4 million and USD33.9 million, respectively. Moving forward, the Group is optimistic about the potential of this investment. China’s economy has seen strong rebound since the outbreak of the COVID-19 and has remained largely resilient under its “Dual Circulation Strategy” shielding the economy against global volatility and promoting greater self-reliance. It is expected that such stable economic environment will provide support for the growth of the technology and consumer sector, generating rewarding investment opportunities. 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.

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 had a carrying amount accounting for more than 5% of the Group's total assets as at 31 December 2021.

(iii) Real Property Business

The Group has 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 USD1.7 million and USD1.8 million (2020: USD1.9 million and USD2.0 million) for the Year, respectively, which were relatively stable as compared to the same period in 2020. The slight decrease in rental income was due to a grant of extra rent-free period as part of the renewal of the rental contract for leased commercial offices during the Year.

The Group has been seeking for investment opportunities for quality and upscale commercial properties and other types of properties. Against the outbreak of COVID-19, the Group was unable to conduct a physical examination of properties in other countries under restrictive travelling measures. Since the second half of 2020, the Group has been concentrating on properties in Hong Kong, and in particular distressed and foreclosed properties, and assessing the capital returns and rental yield of such properties. Due to continued fluctuations in the COVID-19 pandemic and the uncertainty in Hong Kong commercial market resulting from economic recession and geopolitical tensions, Hong Kong's office leasing market is still subject to strong headwinds and struggling to recover from a low base in the Year. Leasing demand remained subdued with new lettings in the central business districts dropping significantly and the vacancy rate in the overall office market rising – both of which have prevented a rental recovery in 2021. As a result, the Group did not identify properties which are suitable for our value-add or opportunistic investment strategies.

Review of Group Financial Position

	2021 USD'000	2020 USD'000
Current Assets		
Bank balances and cash	900,845	964,665
Financial assets at FVTPL	29,552	29,869
Investments in debt instruments measured at amortised cost	14,038	40,526
Accounts and other receivables	19,705	24,503
Others	39,430	44,090
Non-current Assets		
Financial assets at FVTPL	497,593	292,518
Investments in debt instruments measured at amortised cost	44,977	59,364
Investments in perpetual notes at FVTPL	29,033	59,143
Investment properties	64,669	64,899
Others	50,984	51,784
Total Assets	1,690,826	1,631,361
Other Liabilities	(53,039)	(60,052)
Net Assets	1,637,787	1,571,309

Non-current assets were USD687.3 million (2020: USD527.7 million), representing an increase of USD159.6 million. It was mainly due to the net increase in investment in financial assets at FVTPL of USD205.1 million; a decrease in investments in perpetual notes at FVTPL of USD30.1 million; and a decrease in investments in debt instruments measured at amortised cost of USD14.4 million. Current assets were USD1,003.6 million (2020: USD1,103.7 million), representing a decrease by USD100.1 million, which was mainly due to net decrease in bank balances and cash of USD63.8 million, a decrease in investments in debt instruments measured at amortised cost of USD26.5 million; and a decrease in accounts and other receivables of USD4.8 million.

Net Asset Value

As at 31 December 2021, the Group's net assets amounted to USD1,637.8 million, representing an increase of USD66.5 million as compared to USD1,571.3 million as at 31 December 2020. The increase in net assets was mainly due to the profit for the Year of USD69.9 million.

Cash Flow, Liquidity and Financial Resources

Cash Flow Summary

	2021 USD'000	2020 USD'000
Net cash from Operating Activities	14,031	17,339
Net cash (used in)/from Investing Activities	(75,313)	3,551
Net cash from/(used in) Financing Activities	2,384	(567)
Net (decrease)/increase in cash and cash equivalents	<u>(58,898)</u>	<u>20,323</u>
Cash and cash equivalents at beginning of the year	964,665	940,486
Effect of foreign exchange rate changes	(4,922)	3,856
Cash and cash equivalents at end of the year	<u><u>900,845</u></u>	<u><u>964,665</u></u>

The Group's cash balance as at 31 December 2021 was USD900.8 million (2020: USD964.7 million). The net cash from operating activities for 2021 of USD14.0 million was mainly contributed to the working capital of operations. Net cash used in investing activities was USD75.3 million mainly included net outflows of investments of USD84.5 million which was partially offset by USD9.2 million from interest received. Net cash from financing activities was USD2.4 million mainly from the advances and proceeds received from non-controlling interests.

The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2021 and 2020. The Group had no outstanding bank borrowings as at 31 December 2021.

Capital Structure of the Group

The capital structure of the Group has not changed materially since 30 June 2021, being the end of the reporting period of the Group's interim report.

Material Acquisitions and Disposals

On 10 June 2021, Summer Chance Limited ("Summer Chance"), an indirect wholly-owned subsidiary of the Company, entered into an adherence agreement to the note purchase agreement dated 30 April 2021 and subsequently amended on 7 May 2021 (the "Note Purchase Agreement") in relation to the issue of unsecured convertible subordinated promissory notes (the "Convertible Notes"), pursuant to which Summer Chance became a party to the Note Purchase Agreement, and as the conditions have been fulfilled, Turntide Technologies Inc. (the "Issuer") has sold and issued to Summer Chance, and Summer Chance has purchased from the Issuer, the Convertible Notes in a principal amount of USD17 million (equivalent to approximately HKD131.9 million).

On 23 June 2021, Smart Blooming Limited (“Smart Blooming”), an indirect wholly-owned subsidiary of the Company, and Lavender Hill Capital GP I Limited, as general partner (the “General Partner”), entered into a subscription agreement (the “Subscription Agreement”) to subscribe for the limited partner interest in Lavender Hill Capital Partners Fund I, L.P. (the “Lavender Hill Fund”) as a limited partner for a capital commitment of USD20 million (equivalent to approximately HKD155.2 million), representing 13.3% of the total capital commitment to the Lavender Hill Fund as at 23 June 2021. Simultaneously with the entering into the Subscription Agreement, Smart Blooming entered into a limited partnership agreement with the General Partner and Lavender Hill Capital Partners ILP I, L.P., as investment limited partner, to govern their relationship and provide for (among other things) the manner of operation and management of the Lavender Hill Fund. The General Partner is an exempted company incorporated in Cayman Islands with limited liability and is wholly-owned by Ms. Zhang Xiaoyin (“Ms. Zhang”). Ms. Zhang founded Lavender Hill Capital Partners Limited, an affiliate and the adviser of the General Partner in 2018, which focuses on growth stage, technology and technology-enabled companies investment. Prior to founding Lavender Hill Capital Partners Limited, Ms. Zhang worked at Goldman Sachs from 2002 to 2017 and was a partner and the Head of China Technology, Media and Telecom (“TMT”) Investment Banking. During her tenure at Goldman Sachs, she started developing the internet business franchise sector in China for Goldman Sachs in 2003, focusing on investing in growth stage TMT companies and has extensive network with the entrepreneurs and venture capital investors since 2000. The Lavender Hill Fund is mandated to make equity investments in companies with significant operations in, expansion potential into, strong affiliation with, or having strategic importance to businesses in Greater China, with a primary focus on companies in technology or technology-enabled consumer, media and entertainment, healthcare services, financial services, internet infrastructure and enterprise sectors, with a view to generate capital appreciation. As at 31 December 2021, the Lavender Hill Fund has invested in two portfolio companies including (i) a leading business-to-customer provider of domestic services such as household cleaning, domestic chef and new-born baby nannies for mid-to-high end households in China; and (ii) the largest cross-border business-to-business payment company in terms of cross-border payment volume for China’s small and medium-sized enterprises exports. The Group is optimistic about the prospects of this investment. Rapid development in technology in China have played a vital role in transforming the business models and reshaping market landscapes in various industries. Against this background, it is expected that attractive investment opportunities in China will emerge from technology, healthcare and internet sectors. Leveraging on Ms. Zhang’s expertise and her experience and network in the TMT sector, the Lavender Hill Fund made two solid investments in those sectors and believes that the General Partner will be advantageous in sourcing and executing valuable future TMT investments in Greater China, thereby creating financial returns for the limited partners of the Lavender Hill Fund while diversifying the Group’s investment portfolio.

On 30 September 2021, Data Giant International Limited (“Data Giant”), an indirect wholly-owned subsidiary of the Company, entered into the subscription agreement with Genesis Capital III Ltd (being the general partner) (“Genesis Capital III”) to subscribe for the limited partner interest in Genesis Capital III LP (the “Genesis III Fund”) as a limited partner for a capital commitment of USD42 million (equivalent to approximately HKD327.2 million). Genesis Capital III is an exempted company incorporated in the Cayman Islands with limited liability, responsible for the management and day-to-day operations of Genesis III Fund. Genesis Capital III is wholly-owned by Yuan Capital III Ltd (“Yuan Capital III”), the initial limited partner of Genesis III Fund, who has subsequently withdrawn and ceased to be a limited partner. Yuan Capital III is a company incorporated in the Cayman Islands with limited liability and is wholly-owned by Mr. Xu Liang (“Mr. Xu”). Mr. Xu is a founding member of Genesis Capital III. He participates in the formulation of the firm’s strategy and serves as an investment committee member. Prior to founding Genesis Capital III, Mr. Xu served as an investment committee member of the investment department of Tencent Holdings Limited (“Tencent”). Mr. Xu is a highly regarded internet veteran with over 19 years of technology-related investment, product, and operations experience in China. Before joining Tencent, Mr. Xu worked at 21sports.com and founded his own software company. Mr. Xu holds an Executive Master of Business Administration from China Europe International Business School and holds a Bachelor’s degree in Economics from Wuhan University. Genesis III Fund is mandated to mainly make investments, directly or indirectly, in equity and equity-related securities of growth and late-stage technology related entities in the PRC with a view to generating income and capital appreciation. As at 31 December 2021, Genesis III Fund has not yet invested in any companies.

On 6 October 2021, Great Heart Holdings Limited, as the subscriber, an indirect wholly-owned subsidiary of the Company, entered into the limited partnership agreement with ZQ Capital Management Limited, being the general partner (“ZQ Capital”), and Ms. Wang Jue (“Ms. Wang”), a merchant and being the initial limited partner, to subscribe for the limited partner interest in NovoAstrum Investors L.P. (the “NovoAstrum Fund”) as a limited partner for a capital commitment of USD42 million (equivalent to approximately HKD327.2 million). Upon execution of the limited partnership agreement, Ms. Wang has withdrawn from the NovoAstrum Fund and has ceased to be a limited partner. ZQ Capital is an exempted company incorporated in the Cayman Islands with limited liability and it shall be responsible for the management and day-to-day operations of NovoAstrum Fund. ZQ Capital is wholly-owned by Mr. Shen Zheqing (“Mr. Shen”). Mr. Shen is the founding member of ZQ Capital. He has extensive experience in the healthcare industry and Asia capital markets, with a special area of expertise and network in China. Prior to founding ZQ Capital in 2017, Mr. Shen was the managing director and head of the China Financial Institutions Business at Barclays PLC from 2011 to 2015. From 2004 to 2010, he worked with The Goldman Sachs Group, Inc. (“Goldman Sachs”) as an investment banker in its New York and Hong Kong offices. Mr. Shen has worked with many corporations in Asia. He also worked with a number of corporations in the United States during the early stages of his career at Goldman Sachs and Lehman Brothers Holdings Inc. in New York. Mr. Shen obtained a Bachelor of Arts in Mathematics and Economics from Wesleyan University. The NovoAstrum Fund is mandated mainly to make investments, directly or indirectly, in the securities of mature businesses in the global healthcare industry to achieve long term capital appreciation. As at 31 December 2021, the NovoAstrum Fund has made an indirect investment, through subscription of the limited partnership interests in a private equity fund, in one healthcare company primarily engaged in immunology business with specialist experience in the research and development of allergy treatments and create immunotherapy treatments for a wide range of allergic conditions.

On 28 January 2022, Maximum Gains Group Limited (“Maximum Gains”), an indirect wholly-owned subsidiary of the Company, and Princeville Global Partners III Ltd. (being the general partner) (“Princeville GP”) entered into the subscription agreement to subscribe for the limited partner interest in Princeville Global III LP (the “Princeville Fund”) as a limited partner for a capital commitment of USD20 million (equivalent to approximately HKD155.8 million). The Princeville Fund is being established for the principal purposes of (i) making, either directly or indirectly through an intermediate entity owned or controlled by the Princeville Fund, “breakout” stage investments in technology companies whose businesses are seeking growth capital, with a view to generating income and capital appreciation; (ii) managing, supervising and disposing of such investments; and (iii) engaging in such other activities related, incidental or ancillary thereto. Princeville GP, incorporated in the Cayman Islands as an exempted company, is also the carried interest partner of Princeville Fund, and may appoint Princeville Capital (the “Management Company”), an exempted company incorporated in the Cayman Islands, to provide investment advisory services to the Princeville Fund on a non-discretionary basis. The Management Company is principally engaged and specialises in investing in technology-related growth companies around the world. The Management Company invests in companies in the “breakout” stage, in which there are proven business models, technologies, unit economics, accelerating KPIs and a need for capital to grow. Mr. Emmanuel DeSousa and Mr. Joaquin Alberto C Rodriguez Torres are the co-founders of the Management Company and lead the management team of the same, both possessing more than 20 years of investment experience, having invested in some of the prominent internet and technology companies globally.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year and as at the publication of the Company’s 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 2021, 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 remain cautious and minimise any impact on the Group under the current economic environment, whilst maximises return and value on the Group's business and financial performance in 2022.

Financial services business. The Group will continue to focus on our key financial services business areas, including securities trading and brokerage and margin financing, asset management and corporate finance advisory services. Our reasonable commission rate, quality and prompt service, strong financial resources, and the reliable trading system shall enable our financial services business to maintain a strong client loyalty and sustain stable growth in our client base.

Since the COVID-19 pandemic from early 2020, it has prevailed throughout the year and has proven to cast unprecedented impact and disruptions on business sentiments and financial markets worldwide. The recovery in 2021 was prolonged and subdued given the spread of the COVID-19 variants. China's launch of anti-monopoly rules targeted at its internet and technology companies also resulted in a decline and consolidation of those internet and technology stocks. The Hong Kong IPO market also slowed down in the second half of 2021 with many expected IPOs in the pipeline being delayed to 2022 or later. Despite all uncertainties and fluctuations in the securities market, the Group's securities trading and brokerage services and margin financing business managed to yield positive results with a satisfactory growth as compared to 2020. With gradual relaxation of cross-border restrictions, the Group would expect those IPOs that were in the pipeline, but delayed from 2021, will return in 2022. When the IPO market revives, the Group will tap into the IPO margin financing business and will continue to place great efforts in promoting and expanding such business through various channels, including existing clients, brokerage firms and its network of account executives and the Group's interest income and related handling charge deriving from margin financing for both IPO and non-IPO. The Group will also continue to 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 margin financing business and enhance our client coverage on the securities trading and brokerage business.

The Group will closely monitor securities market developments. The Group believes that we can continue to seize opportunities in the securities market and gain the benefit to offer margin financing services in accommodating investors preferences. The Group will actively review all of its implemented strategies to maximise benefits arising from such market.

As for our money lending business, the management of the Group has been sensitive in minimising the exposure to credit risks and has been following its approach in developing the money lending business to achieve a risk-gain balance. In light of the continued uncertainty on the client's creditworthiness for money lending business; delay in global market recovery due to fluctuations of the COVID-19 pandemic; collateral quality and valuation of property assets, the Group will conduct prudent internal credit assessment and monitor the market and appropriately allocate its resources to other segments under the financial services business with lower risk and higher yields.

In relation to our asset management business, the Group will continue to enhance our services and provide customised discretionary investment management services to high-net-worth clients and to further enhance brand awareness and market reputation. 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 has hired two responsible officers in relation to its corporate finance advisory service and asset management services in 2021 to strengthen its client network. The new responsible officers have already been introducing potential businesses to the Group and enhancing the Group's financial services status in those segments. Further, the Group will continue to provide general corporate financial advisory services in relation to IPO including placing, rights issue, corporate restructuring and merger and acquisition and participate in underwriting services when suitable opportunities arise.

Principal investment business. The Group's investment portfolio consists of a combination of diversified investment in funds, bonds and equity investments (including listed or unlisted). The Group will continue to review its investment portfolio. Where the investment team considers that suitable opportunities arise which are 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 continued to seek investment opportunities for quality and upscale commercial properties and other types of properties as the global economy continues to recover from the COVID-19 pandemic. The Group has been exploring distressed and foreclosed properties available in the areas where the Group is focusing in, 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. Despite the fact that borders are reopening in many countries including Europe, Australia and the US, as well as some countries in South East Asia, the COVID-19 pandemic continued to affect the global economy and corporate earnings with its raging variants delaying economic recovery. In view of continued uncertainties on its impact on the global markets, the Group 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 2021, the Group had 68 employees in Hong Kong. Employees are remunerated at a competitive level and 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.

Significant Events

Capital Reorganisation and Change in Board Lot Size

On 31 May 2021, the Board proposed to implement the capital reorganisation (the "Capital Reorganisation") which comprises the following:

- (a) every sixty (60) existing ordinary shares of HKD0.01 each (the "Existing Share(s)") was consolidated into one (1) consolidated ordinary share of HKD0.60 each (the "Consolidated Share(s)") (the "Share Consolidation"); and
- (b) the proposed reduction (i) of any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation by way of cancellation; (ii) of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HKD0.59 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HKD0.60 to HKD0.01; (iii) of the authorised share capital of the Company by reducing the par value of all unissued Consolidated Shares from HKD0.60 each to HKD0.01 each (the "Capital Reduction"); and (iv) the credit arising from the Capital Reduction was credited to the contributed surplus account of the Company up to the effective date of the Capital Reduction.

The Board also proposed to change the board lot size for trading in shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from 3,000 Existing Shares to 1,000 new shares (the “Change in Board Lot Size”).

Details of the Capital Reorganisation and the Change in Board Lot Size were disclosed in the announcement of the Company dated 31 May 2021, as well as in the supplemental circular of the Company dated 1 June 2021. The Capital Reorganisation became effective on 28 June 2021.

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 (“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 (www.hkexnews.hk) and the website of the Company (www.g-resources.com) on or before 30 April 2022.

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, 30 March 2022

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*