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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 2022

GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 USD'000	2021 USD'000
Revenue			
Interest income	3	13,930	9,155
Dividend and distribution income	3	10,107	47,677
Fee and commission income	3	1,388	4,610
Rental income	3	1,448	1,723
		<u>26,873</u>	<u>63,165</u>
Other income		9,086	1,201
Administrative expenses		(10,878)	(11,148)
(Loss)/gain on disposal of investments in debt instruments measured at amortised cost		(1,289)	2
Impairment loss on goodwill		(943)	–
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss (“FVTPL”)		(106,724)	18,050
Provision for expected credit losses on financial assets, net		(2,643)	(4,326)
(Decrease)/increase in fair value of investment properties		(281)	141
Other (loss)/gain		(2,632)	2,838
Finance costs		(3)	(6)
(Loss)/profit before taxation		<u>(89,434)</u>	<u>69,917</u>
Taxation	4	–	4
(Loss)/profit for the year	5	<u><u>(89,434)</u></u>	<u><u>69,921</u></u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(89,927)	69,878
Non-controlling interests		493	43
		<u><u>(89,434)</u></u>	<u><u>69,921</u></u>
(Loss)/earnings per share			
– Basic and diluted (US cent)	7	<u><u>(19.95)</u></u>	<u><u>15.50</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 USD'000	2021 USD'000
(Loss)/profit for the year	(89,434)	69,921
Other comprehensive (expenses)/income:		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	(147)	(7,964)
Gain on disposal of investments in perpetual notes designated as at fair value through other comprehensive income ("FVTOCI")	8	–
Changes in fair value of investments in perpetual notes designated as at FVTOCI	(179)	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>121</u>	<u>2,011</u>
Other comprehensive expense for the year	<u>(197)</u>	<u>(5,953)</u>
Total comprehensive (expense)/income for the year	<u>(89,631)</u>	<u>63,968</u>
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	(90,124)	63,925
Non-controlling interests	493	43
	<u>(89,631)</u>	<u>63,968</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>NOTES</i>	2022 USD'000	2021 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		29,572	30,295
Right-of-use assets		–	137
Investment properties		64,381	64,669
Financial assets at FVTPL	8	418,585	497,593
Investments in debt instruments measured at amortised cost	8	36,396	44,977
Investments in perpetual notes at FVTPL	8	22,586	29,033
Investments in perpetual notes designated as at FVTOCI	8	2,821	–
Other receivables and deposits	9	564	834
Intangible assets		1,746	1,746
Goodwill		17,029	17,972
		<u>593,680</u>	<u>687,256</u>
CURRENT ASSETS			
Accounts and other receivables	9	14,807	19,705
Investments in debt instruments measured at amortised cost	8	20,111	14,038
Financial assets at FVTPL	8	39,383	29,552
Time deposits with original maturities over three months		30,000	–
Bank trust accounts balances		48,037	39,430
Cash and cash equivalents		854,253	900,845
		<u>1,006,591</u>	<u>1,003,570</u>
CURRENT LIABILITIES			
Lease liabilities		–	112
Accounts and other payables	10	59,852	52,612
		<u>59,852</u>	<u>52,724</u>
NET CURRENT ASSETS			
		<u>946,739</u>	<u>950,846</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,540,419</u>	<u>1,638,102</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		288	288
Lease liabilities		–	27
		<u>288</u>	<u>315</u>
		<u>1,540,131</u>	<u>1,637,787</u>
CAPITAL AND RESERVES			
Share capital	11	598	598
Reserves		1,537,599	1,634,636
Equity attributable to owners of the Company		<u>1,538,197</u>	<u>1,635,234</u>
Non-controlling interests		1,934	2,553
TOTAL EQUITY		<u>1,540,131</u>	<u>1,637,787</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 USD'000	2021 USD'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	(89,434)	69,917
Adjustments for:		
Interest income	(21,892)	(5,860)
Dividend income	(3,026)	(4,300)
Depreciation of property, plant and equipment	770	778
Depreciation of right-of-use assets	60	120
Impairment loss on goodwill	943	–
Fair value changes of financial assets and investments in perpetual notes at FVTPL	106,724	(18,050)
Loss/(gain) on disposal of investments in debt instruments measured at amortised cost	1,289	(2)
Gain on disposal of interests in a subsidiary	(120)	–
Provision for expected credit losses on financial assets, net	2,643	4,326
Finance costs	3	6
Decrease/(increase) in fair value of investment properties	281	(141)
Operating cash flows before movements in working capital	(1,759)	46,794
Decrease in accounts and other receivables and deposits	16,337	2,163
Repayments from money lending customer	–	901
Increase in financial assets at FVTPL	(2,852)	(36,855)
(Increase)/decrease in bank trust accounts balances	(8,639)	3,634
Increase/(decrease) in accounts and other payables	7,276	(6,981)
Cash generated from operations	10,363	9,656
Income taxes recovered	–	75
Interest received	5,830	3,723
Dividend received	3,018	4,300
Net cash from Operating Activities	19,211	17,754
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(55)	(30)
Purchase of financial assets at FVTPL	(47,419)	(219,032)
Purchase of investments in debt instruments measured at amortised cost	(42,127)	(27,238)
Purchase of investments in perpetual notes designated as at FVTOCI	(3,992)	–
Proceeds from disposal of investments in debt instruments measured at amortised cost	42,360	62,995
Proceeds from disposal of investment in perpetual notes at FVTPL	3,390	28,518
Proceeds from disposal of investment in perpetual notes designated as at FVTOCI	1,000	–
Proceeds from return of capital of financial assets at FVTPL	4,910	70,282
Proceeds on disposal of interests in a subsidiary	148	–
Interest received	11,700	5,469
Placement of time deposits with original maturities over three months	(30,000)	–
Net cash used in Investing Activities	(60,085)	(79,036)
FINANCING ACTIVITIES		
Acquisition of non-controlling interests	(1,112)	–
Dividend paid to shareholders	(6,913)	–
Repayments of leases liabilities	(60)	(120)
Interest expenses paid	(3)	(6)
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 (used in)/from Financing Activities	(8,088)	2,384
Net decrease in cash and cash equivalents	(48,962)	(58,898)
Cash and cash equivalents at beginning of the year	900,845	964,665
Effect of foreign exchange rate changes	2,370	(4,922)
Cash and cash equivalents at end of the year	854,253	900,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 (“HKAS”s) 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, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
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	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that the application of all 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 (2021: three) operating business units which represent three (2021: three) operating segments, namely:

- financial services business – engaging in securities trading and brokerage, margin financing, money lending, and asset management;
- principal investment business – managing a portfolio of investments in listed shares, listed seniors notes, listed perpetual notes, unlisted investment funds, unlisted equity investments, unlisted hedge funds and convertible notes; and
- real property business – leasing of office units and carparks.

(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 2022

	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	646	13,284	–	–	13,930
Dividend and distribution income	–	10,107	–	–	10,107
Fee and commission income	1,388	–	–	–	1,388
Rental income	–	–	1,448	–	1,448
Segment revenue from external parties	2,034	23,391	1,448	–	26,873
Inter-segment revenue	439	–	–	(439)	–
Segment revenue	<u>2,473</u>	<u>23,391</u>	<u>1,448</u>	<u>(439)</u>	<u>26,873</u>
Segment results before impairment on goodwill	1,764	(88,169)	1,485	–	(84,920)
Impairment loss on goodwill	(943)	–	–	–	(943)
Segment profit/(loss)	<u>821</u>	<u>(88,169)</u>	<u>1,485</u>	<u>–</u>	<u>(85,863)</u>
Unallocated other income					80
Unallocated corporate expenses					(4,762)
Unallocated exchange gain					1,392
Decrease in fair value of investment properties					(281)
Loss before taxation					<u>(89,434)</u>

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
Segment revenue from external parties	8,854	52,588	1,723	–	63,165
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 profit	<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					(4,756)
Unallocated exchange gain					4,300
Increase in fair value of investment properties					141
Profit before taxation					<u>69,917</u>

Segment results represent the profit or loss earned, generated or incurred by each segment without allocation of central administration costs, unallocated other income and change in fair value of investment properties. This is the measure reported to the executive directors of the Company for the purposes of resources allocation and assessment of segment performance.

Inter-segment sales are charged at prevailing market rates.

(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 2022

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	329,767	1,176,273	64,517	1,570,557
Unallocated corporate assets				29,714
Total assets				<u>1,600,271</u>
LIABILITIES				
Segment liabilities	49,426	49	365	49,840
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				461
Total liabilities				<u>60,140</u>

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	186,683	1,408,848	64,802	1,660,333
Unallocated corporate assets				30,493
Total assets				<u>1,690,826</u>
LIABILITIES				
Segment liabilities	42,088	158	522	42,768
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				432
Total liabilities				<u>53,039</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 2022

	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)	52	–	–	3	55
Additions to financial assets at FVTPL	–	47,419	–	–	47,419
Additions to investments in debt instruments measured at amortised cost	–	42,127	–	–	42,127
Depreciation of property, plant and equipment	(36)	–	–	(734)	(770)
Depreciation of right-of-use assets	(60)	–	–	–	(60)
Finance costs	(3)	–	–	–	(3)
Fair value changes of financial assets and investments in perpetual notes at FVTPL	74	(106,798)	–	–	(106,724)
Provision for expected credit losses on financial assets, net	(739)	(1,904)	–	–	(2,643)
Exchange (loss)/gain, included in other loss	(76)	(3,930)	–	1,392	(2,614)
Loss on disposal of investments in debt instruments measured at amortised cost	–	(1,289)	–	–	(1,289)
Interest income from bank deposits, included in other income	3,748	4,860	–	–	8,608

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
Provision for expected credit losses on financial assets, net	(137)	(4,189)	–	–	(4,326)
Exchange (loss)/gain, included in other gain	(218)	(1,244)	–	4,300	2,838
Gain on disposal of investments in debt instruments measured at amortised cost	–	2	–	–	2
Interest income from bank deposits, included in other income	184	765	–	–	949

Note: Non-current assets excluded financial assets at FVTPL, investments in perpetual notes at FVTPL and designated as at FVTOCI, 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	
	2022 USD'000	2021 USD'000	2022 USD'000	2021 USD'000
Singapore	2,162	2,116	–	–
Hong Kong	14,832	14,652	112,728	114,819
People's Republic of China	3,188	6,410	–	–
United States of America	2,888	35,045	–	–
Europe	2,663	4,727	–	–
Others	1,140	215	–	–
	<u>26,873</u>	<u>63,165</u>	<u>112,728</u>	<u>114,819</u>

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

(e) **Information about major customers**

For the year ended 31 December 2022, no customer (2021: one counterparty) contributed over 10% of the total revenue (2021: contributed USD29,796,000 from principal investment business).

3. **REVENUE**

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

	2022 USD'000	2021 USD'000
Interest income from financial products	5,021	3,589
Interest income from money lending business	—	20
Interest income from margin financing	646	4,224
Interest income from financial institutions' deposits	8,263	1,322
Interest income	<u>13,930</u>	<u>9,155</u>
Dividend and distribution income from financial products (Note)	10,107	47,677
Commission income and handling charges from financial services	1,263	4,418
Asset management fee income	125	192
Fee and commission income	<u>1,388</u>	<u>4,610</u>
Rental income	1,448	1,723
	<u>26,873</u>	<u>63,165</u>

Note: Included in dividend and distribution income from financial products is distribution of investments in perpetual notes designated as at FVTOCI amounted to USD29,000 (2021: nil) for the year ended 31 December 2022.

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

	2022	2021
	USD'000	USD'000
Current tax – Hong Kong Profits Tax		
Overprovision in prior years	—	(4)
Taxation for the year	<u>—</u>	<u>(4)</u>

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

5. (LOSS)/PROFIT FOR THE YEAR

	2022	2021
	USD'000	USD'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments	1,024	1,149
– Other staff costs (Note (a))	4,572	5,328
– Contributions to retirement benefits schemes, excluding directors	120	133
Total staff costs	<u>5,716</u>	<u>6,610</u>
Auditors' remuneration	158	223
Depreciation of property, plant and equipment	770	778
Depreciation of right-of-use assets	60	120
Exchange loss/(gain), net, included in other (loss)/gain	2,614	(2,838)
Interest income from bank deposits, included in other income	(8,608)	(949)
Government grants, included in other income (Note (b))	(216)	(46)

Notes:

- (a) Other staff costs comprise salaries and other emoluments, discretionary bonus, and commission paid to accounts executives of the brokerage business (included in the financial service segment).
- (b) During the year ended 31 December 2022, the Group recognised government grants of USD216,000 (2021: USD46,000). In the opinion of the directors of the Company, the Group has fulfilled all conditions attached to the grants.

6. DIVIDEND

During the current year, a final dividend of HKD0.12 per share in respect of the year ended 31 December 2021 amounted to approximately USD6,913,000 (equivalent to approximately HKD54,098,000) was paid to the owners of the Company. Subsequent to 31 December 2022, a final dividend in respect of the year ended 31 December 2022 of HKD0.12 (2021: HKD0.12) per share, totalling approximately HKD54,098,000 (2021: HKD54,098,000) 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. (LOSS)/EARNINGS PER SHARE

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

	2022 USD'000	2021 USD'000
(Loss)/profit for the year attributable to owners of the Company, for the purposes of basic and diluted (loss)/earnings per share	<u>(89,927)</u>	<u>69,878</u>
	Number of shares	
	2022	2021
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>450,814,079</u>	<u>450,814,079</u>

No adjustment is made in arriving at diluted (loss)/earnings per share for both 2022 and 2021 as there were no potential ordinary shares in issue for both 2022 and 2021.

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

	2022 USD'000	2021 USD'000
Investments in debt instruments measured at amortised cost		
Debt securities listed in Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	8,887	5,655
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	38,271	39,898
Floating Rate Senior Notes (Notes a, b, e)	11,110	16,614
Less: Expected credit losses	(1,761)	(3,152)
	<u>56,507</u>	<u>59,015</u>
Less: Investments in debt instruments measured at amortised cost classified as current assets	(20,111)	(14,038)
Investments in debt instruments measured at amortised cost classified as non-current assets	<u>36,396</u>	<u>44,977</u>
Investments in perpetual notes at FVTPL		
Perpetual Notes, listed outside Hong Kong (Note d)	<u>22,586</u>	<u>29,033</u>
Investments in perpetual notes designated as at FVTOCI		
Perpetual Notes, listed outside Hong Kong (Note d)	<u>2,821</u>	<u>—</u>
Financial assets at FVTPL		
Unlisted investments		
Unlisted investment funds (Note f)	350,768	403,514
Unlisted equity investments (Note g)	36,966	39,182
Convertible notes (Note h)	24,096	26,481
Listed equity investments (Note i)		
Listed in Hong Kong	37,646	43,466
Listed outside Hong Kong	8,492	14,502
	<u>457,968</u>	<u>527,145</u>
Less: Financial assets at FVTPL classified as current assets	(39,383)	(29,552)
Financial assets at FVTPL classified as non-current assets	<u>418,585</u>	<u>497,593</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 issuers 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 2022, seven of the Fixed Rate Senior Notes were matured, five of the Fixed Rate Senior Notes were partially sold, nine of the Fixed Rate Senior Notes were sold, two of the Fixed Rate Senior Notes were being called and four of the Floating Rate Senior Notes were being called. For the year ended 31 December 2022, the loss on disposal including redemption of investments in debt instruments measured at amortised cost was USD1,289,000. 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.
- (c) Senior Notes held by the Group bear a fixed coupon interest of ranging from 1.12% to 7.88% (2021: from 2.45% to 8.8%) per annum and with maturity dates from 24 January 2023 to 9 February 2026 (2021: from 3 March 2022 to 9 February 2026). As at 31 December 2022, three of the Senior Notes carrying a gross amount of USD2,519,000 with original maturity dates ranging from July 2023 to May 2024 have a provision of lifetime ECL of USD1,414,000. The directors of the Company considered that the provision for ECL was sufficient.
- (d) Perpetual Notes at FVTPL held by the Group bear discretionary interests at the rate of ranging from 5.25% to 6.57% (2021: from 4.5% to 6.38%) per annum and are callable from 19 July 2023 to 15 August 2027 (2021: from 24 January 2022 to 16 May 2025). The interest rates are subject to change at reset day with reset rate ranging from 2.76% to 4.98% (2021: from 2.76% to 7.77%) 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. The reset dates are ranging from 3 months to 5 years. During the year ended 31 December 2022, one of the Perpetual Notes was being called and one of the Perpetual Notes was partially sold.
- Perpetual Notes designated as at FVTOCI held by the Group as at 31 December 2022 bear a discretionary interest at the rate of 8.0% per annum and are callable on 26 October 2027. The distribution of perpetual notes is at the discretion of the issuers and the issuers have the rights to defer the payments of the distribution. The redemption rights of the perpetual notes are at the option of the issuers. Management of the Group made an initial irrevocable election to designate the perpetual notes to be measured at FVTOCI because the perpetual notes are for long term investment purpose. The interest rates are subject to change at reset day with reset rate of 8.0% plus the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years. During the year ended 31 December 2022, one of the Perpetual Notes was being called.
- (e) Senior Notes held by the Group bear a floating rate of ranging from 3.89% to 6.33% (2021: from 1.52% to 5.0%) per annum and with maturity dates from 3 July 2023 to 18 October 2024 (2021: from 1 September 2023 to 9 November 2047). The interest rate is subject to change at reset day with reset rate ranging from 0.32% to 1.6% (2021: from 1.4% to 3.47%) plus 3 months USD LIBOR or secured overnight financing rate index.

- (f) As at 31 December 2022, the unlisted investment funds classified as FVTPL include unlisted private equity funds and unlisted hedge funds with carrying values of USD290,247,000 and USD60,521,000 (2021: USD327,389,000 and USD76,125,000), 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 wherever 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 2022, three (2021: three) out of these nine (2021: seven) unlisted private equity funds accounted for 85% (2021: 84%) of the aggregate carrying value, with the investment portfolio of these three funds being focused in listed and unlisted equity investments in technology, media and telecommunications and healthcare industry.

The Group invested in ten (2021: eleven) unlisted hedge funds of carrying amount of USD60,521,000 (2021: USD76,125,000) as at 31 December 2022 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. As at 31 December 2022, the Group has redeemed one of the unlisted hedge funds of USD8,532,000, which was included in other receivables as at 31 December 2022. During the year ended 31 December 2022, an increase in fair value of the redeemed unlisted hedge funds of USD549,000 (a decrease in fair value for year ended 31 December 2021: USD17,000) was recognised in consolidated profit or loss.

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 of these funds which 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 2022, a decrease in fair value of unlisted investment funds of USD86,523,000 (2021: an increase in fair value for year ended 31 December 2021 of USD30,619,000) was recognised in consolidated profit or loss. During the year ended 31 December 2022, the Group received returns of capital of USD4,910,000 (2021: USD70,282,000) plus distributions of USD5,446,000 (2021: USD39,833,000) from four (2021: four) of its unlisted investment funds.

- (g) The Group invested seven (2021: five) unlisted equity investments with the carrying amount of USD36,966,000 (2021: USD39,182,000), which three of them engaged in financial technology, three engaged in information technology, and one engaged in financial service.

As at 31 December 2022, three (2021: three) unlisted equity investments are with the carrying amount of USD13,317,000 (2021: USD23,025,000). The valuation technique adopted is the market approach (i.e. comparable company approach). The valuation method used was the Guideline Public Company Method under Market approach. The significant unobservable inputs are price-to-sales multiple of 4.0x and 18.6x (2021: 29.6x, and 43.5x), and price-to-book multiple (2021: price-to-sales multiple) of 19.8x (2021: 30.0x), respectively.

As at 31 December 2022, two (2021: two) unlisted equity investments are with the carrying amount of USD15,704,000 (2021: USD16,157,000). The valuation technique adopted is the market approach (i.e. comparable company approach). The valuation method used was the Guideline Public Company Method under Market approach with Option-Pricing Method (“OPM”) to allocate the enterprise value among different classes of shares. The significant unobservable inputs are price-to-sales multiple of 14.8x (2021: 19.5x) and price-to-sales multiple (2021: price-to-book multiple) of 24.1x (2021: 6.7x), risk-free rate of 4.68% and 4.75% (2021: 0.82% and 0.76%), expected volatility of 46.75% and 75.5% (2021: 45.5% and 80.1%), expected initial public offering probability of 95% and 95% (2021: 95% and 95%), expected redemption probability of 5% and 0% (2021: 5% and 0%), and expected liquidation probability of 0% and 5% (2021: 0% and 5%), respectively.

During the year ended 31 December 2022, an unlisted equity investment was converted from convertible notes into equity shares during the year with the carrying amount of USD7,871,000 (2021: USD8,681,000). As at 31 December 2022, the valuation method used was the Guideline Public Company Method under Market approach with OPM to allocate the enterprise value among different classes of shares (2021: Monte Carlo simulations). The significant unobservable inputs are price-to-sales multiple of 2.7x (2021: 2.4x), and risk-free rate of 4.49% (2021: 0.30%), and expected volatility of 120% (2021: 40%). During the year ended 31 December 2022, the Group disposed of 66.6% of equity interest in Enhanced Investment Management Limited that was a wholly owned subsidiary, for a consideration of USD148,000. As at 31 December 2022, the fair value of the remaining shares is determined and arrived at a valuation conducted by an independent professional valuer not connected with the Group, using cost approach. The remaining shares were subsequently sold in January 2023.

During the year ended 31 December 2022, the Group completed acquisitions of additional equity interests of subsidiaries which hold certain unlisted equity investments from non-controlling shareholders at a cash consideration of USD1,112,000 based on their net asset values, and these subsidiaries became wholly-owned subsidiaries of the Group after the acquisitions.

During the year ended 31 December 2022, a decrease in fair value of unlisted equity investments of USD9,825,000 was recognised in consolidated profit or loss (an increase in fair value for year ended 31 December 2021: USD4,087,000).

- (h) The Group invested in convertible notes in a principal amount of USD17,000,000 with the maturity date of 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 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 4.69% (31 December 2021: 0.51%), expected volatility of 90% (2021: 80%), expected dividend yield of 0% (2021: 0%), remaining option life of 0.33 years (2021: 1.33 years), and discount rate of nil (2021: 16%).

As at 31 December 2022, the fair value of the convertible notes is determined and arrived at a valuation conducted by an independent professional valuer not connected with the Group, using Monte Carlo simulations.

During the year ended 31 December 2022, an increase in fair value of the convertible notes of USD6,296,000 was recognised in profit or loss (an increase in fair value for year ended 31 December 2021: USD800,000).

- (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, the management considered that the fair value remained as nil.

9. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	2022 USD’000	2021 USD’000
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	2,418	15,651
Clearing house and brokers	279	2,832
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	316	593
Accounts receivables (Note a)	3,013	19,076
Other receivables and deposits (Note d)	13,255	1,618
Less: Impairment allowance (Note c)	(897)	(155)
	<u>15,371</u>	<u>20,539</u>
Less: Other receivables and deposits classified as non-current assets	(564)	(834)
Accounts and other receivables classified as current assets	<u><u>14,807</u></u>	<u><u>19,705</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 USD24,453,000 (2021: USD164,241,000). 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 3.63% to 18% (2021: 3% to 15%) per annum as at 31 December 2022. 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 from clients individually.

The Group held collateral of listed equity securities with a fair value of USD24,453,000 (31 December 2021: USD164,241,000) at the end of the reporting period in respect of accounts receivables from clients. As at 31 December 2022, no impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD1,030,000 (31 December 2021: USD15,001,000), while parts of accounts receivables from clients with an aggregate outstanding balance of USD1,388,000 (31 December 2021: USD650,000) occurred a provision of ECL of USD897,000 (31 December 2021: USD155,000) based on the Group's impairment assessment with ECL model. The directors of the Company considered that the provision for ECL was sufficient.

(d) Included in other receivables and deposits are interest receivables, sundry deposits, and receivables from a hedge fund for redemption amounting to USD3,700,000, USD773,000 and USD8,532,000 (2021: USD229,000, USD1,001,000 and nil), respectively. The receivable from a hedge fund for redemption is fully settled in January 2023 subsequent to settlement date.

10. ACCOUNTS AND OTHER PAYABLES

	2022 USD'000	2021 USD'000
Accounts payables from the business of dealing in securities:		
Clients	47,702	39,746
Clearing house and brokers	88	554
Accounts payables from the business of dealing in futures contracts:		
Clients	1,010	995
Accounts payables (Note a)	<u>48,800</u>	41,295
Other payables (Note b)	<u>11,052</u>	11,317
	<u><u>59,852</u></u>	<u><u>52,612</u></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 2022, included in other payables are USD9,839,000 (2021: 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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>60,000,000,000</u>	<u>76,923</u>
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 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, 1 January 2022 and 31 December 2022	<u>450,814,079</u>	<u>598</u>

Note:

(a) Capital reorganisation

Pursuant to the ordinary resolutions passed at the annual general meeting of the Company held on 24 June 2021 and the approval granted by the Listing Committee of the Hong Kong 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:

	2022 USD'000	2021 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>94,278</u>	<u>113,948</u>

DIVIDENDS

The Board has proposed a final dividend of HKD0.12 (2021: HKD0.12) per share for the financial year ended 31 December 2022 (the “Year”). 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 30 June 2023 (Friday).

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 12 June 2023 (Monday)
Closure dates of register of members (both days inclusive)	13 June 2023 (Tuesday) to 16 June 2023 (Friday)
Record date	16 June 2023 (Friday)
AGM	16 June 2023 (Friday)

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

Latest time to lodge transfers	4:00 p.m. on 27 June 2023 (Tuesday)
Closure date of register of members (both days inclusive)	28 June 2023 (Wednesday) to 30 June 2023 (Friday)
Record date	30 June 2023 (Friday)
Proposed final dividend payment date	12 July 2023 (Wednesday)

([#]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:

	2022	2021
	USD'000	USD'000
Revenue	26,873	63,165
Other income	9,086	1,201
Administrative expenses	(10,878)	(11,148)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	(106,724)	18,050
Provision for expected credit losses on financial assets, net	(2,643)	(4,326)
(Decrease)/increase in fair value of investment properties	(281)	141
Other (loss)/gain	(2,632)	2,838
EBITDA	(88,601)	70,821
(Loss)/profit before taxation (<i>Note</i>)	(89,434)	69,917
(Loss)/profit for the year	(89,434)	69,921

Analysis of external revenue by operating segment:

(i) Financial Services Business	2,034	8,854
(ii) Principal Investment Business	23,391	52,588
(iii) Real Property Business	1,448	1,723

Analysis of results by operating segment:

(i) Financial Services Business	1,764	4,035
(ii) Principal Investment Business	(88,169)	64,300
(iii) Real Property Business	1,485	1,751

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

The Group had a loss for the Year of USD89.4 million (2021: profit for the year of USD69.9 million). The change from profit for the last year to the loss for the Year was mainly due to (i) fair value losses of financial assets and investments in perpetual notes at fair value through profit or loss (“FVTPL”) held by the Group recognised of approximately USD106.7 million as compared to fair value gains of approximately USD18.1 million in the corresponding year; and (ii) decrease in revenue by USD36.3 million. However, the effect was partially offset by (i) a decrease in administrative expenses by USD0.3 million; and (ii) an increase in other income by USD7.9 million.

Revenue was USD26.9 million (2021: USD63.2 million), which was 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 decrease in revenue was mainly due to (i) a significant decrease in dividend and distribution income under principal investment business of the Group by USD37.6 million, which was mainly due to decrease in distribution income received from our unlisted investments; and (ii) decrease in commission income and handling charges from financial services and interest income from margin financing by USD6.7 million. However, the effect was partially offset by an increase in interest income from financial institutions' deposit as well as interest income from financial products under principal investment business of the Group by USD8.4 million.

Other income was USD9.1 million (2021: USD1.2 million) for the Year and mainly comprises interest income generated from fixed income investment which amounted to USD8.6 million (2021: USD0.9 million), and government grants amounted to USD0.2 million (2021: USD0.1 million).

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

Fair value of the investment properties has dropped by USD0.3 million due to a slight decline in prices of commercial properties located in Wanchai in 2022.

Other loss was USD2.6 million (2021: gain USD2.8 million) for the Year, primarily attributed to exchange loss. The recognition of exchange loss of USD2.6 million was mainly due to a change in the exchange rate for the year end balance.

Administrative expenses were USD10.9 million for the Year, representing a slight decrease of USD0.2 million as compared to USD11.1 million for the corresponding year. Such decrease was mainly due to the effective cost 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 market 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, considering the trend of 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 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 (“FSHL”) are the two corporate vehicles of the Group involved in the provision of a wide range of licensed financial services, which mainly include underwriting, securities and futures brokerage, corporate finance, investment advisory, and other related financial services in Hong Kong and other countries.

In 2022, in view of the local outbreak of Omicron variant of COVID-19 and tightening of restriction policies, the Group had taken a more prudent and conservative approach, to focus on existing product offerings and to continue to leverage the client base generated from the acquisition of FSHL Group and identified new high-quality client base where opportunity arises. The Group's experienced management team continued to put tremendous efforts in our margin financing, securities and brokerage services and asset management business through the use of our 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 its underwriting exercises during the Year. The Group will continue to actively identify business opportunities, diversify into more business lines and offer more varieties of financial services to our customers.

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 segment results was USD1.8 million (2021: USD4.0 million), which was mainly due to the decrease in commission income and handling charges. However, such decrease was partially offset by the increase in other income for the Year.

Commission income and handling charges

During the Year, the commission income and handling charges from financial services were USD1.3 million (2021: USD4.4 million). The decrease in the commission income and handling charges was mainly due to a decrease in trading volume which was 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 USD0.6 million (2021: USD4.2 million). The accounts receivables from clients was USD2.4 million as at 31 December 2022 (as at 31 December 2021: USD15.7 million). Such decreases were due to the adverse Hong Kong initial public offering (“IPO”) market environment, which in turn affected our margin financing business.

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 the second quarter of 2019 which are backed by collaterals with a comparatively lower credit risk.

The Group has established 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 consistently implemented cautious and prudent internal control measures in its margin financing and money lending businesses, 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 prudent 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 USD47.4 million in unlisted financial assets, which was mainly payment for capital commitments of the unlisted investment funds and unlisted equity investments. During the Year, the Group (i) invested USD46.1 million in listed bonds; (ii) disposed of listed bonds or having the same being redeemed or reaching maturity in the aggregate value of USD46.8 million; and (iii) had a decrease in the aggregate market value of listed shares of USD11.8 million. Other than the abovementioned reasons, the net decrease of USD75.3 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 loss on the listed shares, listed bonds and unlisted investments mainly acquired in previous years.

The segment results of principal investment business's loss of USD88.2 million mainly included (i) fair value loss of financial assets and investments in perpetual notes at FVTPL of USD106.7 million; and (ii) exchange loss of USD3.9 million, which was partially offset by interest income, dividend and distribution income from the financial assets of USD28.3 million. The significant decrease in dividend and distribution income was mainly due to significant decrease in distribution income from unlisted investments during the Year.

As at 31 December 2022, the Group held non-cash financial assets of USD539.9 million, as follows:

	2022	2021
	USD'000	USD'000
Listed shares	46,138	57,968
Listed bonds	81,914	88,048
Unlisted investment funds	350,768	403,514
Unlisted equity investments	36,966	39,182
Convertible notes	24,096	26,481
Total	<u>539,882</u>	<u>615,193</u>

Significant Investments

Genesis Capital I LP (“Genesis Fund I”)

The Group held limited partner interest of Genesis Fund I as an unlisted investment fund since April 2017. The diversified investment portfolio of the Genesis Fund I 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 I’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 I accounts for 17.8% of total partners’ capital commitment as at 31 December 2022. The fair value of the investment as at 31 December 2022 was USD150.9 million, which accounted for 9.4% of the total assets of the Group as at 31 December 2022. The investment cost of Genesis Fund I was USD75.9 million (2021: USD73.3 million). The increase in investment cost was mainly due to a capital call.

Genesis Fund I has achieved income generation and capital appreciation since our investment in April 2017. For the Year, the realised gain and unrealised losses of the investment were USD2.6 million and USD23.2 million, respectively. Moving forward, the Group is optimistic about the potential of this investment. With China reopening its economy and lifting its travel restrictions, the level of business activities and consumption sentiment have resumed gradually. It is expected that China will maintain accommodative monetary policy and, if necessary, launch stimulus package to provide further support to the economy, creating favorable environment for the growth of the technology and consumption sector, thus benefiting the performance of the portfolio companies under Genesis Fund I. Being a limited partner of Genesis Fund I, 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 I’s management team, the investment will continue to bring about positive 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 2022.

(iii) Real Property Business

The Group owns three floors of commercial office (including 17th, 18th and 19th floor) and ten car parking spaces located at Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. Part of the commercial offices are being used by the Group as our head office and the remaining part has been leased to third parties for office use under leases of not more than three years. The rental income generated and the segment results of the real property business were USD1.4 million and USD1.5 million (2021: USD1.7 million and USD1.8 million) for the Year, respectively, which were relatively stable as compared to the same period in 2021. The slight decrease in rental income was due to 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 in other countries. Given the continued restrictive travelling measures adopted by Hong Kong due to outbreak of COVID-19 during the Year, the Group was unable to conduct physical examination of properties in other countries. Since the second half of 2020, the Group has been concentrating on those properties in Hong Kong, in particular distressed and foreclosed properties, and assessing the capital returns and rental yield of the same. Due to continued change of circumstances in connection with the COVID-19 pandemic and the uncertainty in Hong Kong business environment resulting from economic recession and geopolitical tensions, Hong Kong's office leasing market is still subject to strong headwinds and struggling to recover from the bottom in the Year. Demand for leased offices remained subdued with the new lettings in the central business districts dropped significantly and the vacancy rate in the overall office market rising – both of which have affected a rental recovery in 2022. As a result, the Group did not identify any properties which are suitable for our value-add or opportunistic investment strategies.

Review of Group Financial Position

	2022 USD'000	2021 USD'000
Current Assets		
Cash and cash equivalent	854,253	900,845
Time deposits with original maturities over three months	30,000	–
Financial assets at FVTPL	39,383	29,552
Investments in debt instruments measured at amortised cost	20,111	14,038
Accounts and other receivables	14,807	19,705
Others	48,037	39,430
Non-current Assets		
Financial assets at FVTPL	418,585	497,593
Investments in debt instruments measured at amortised cost	36,396	44,977
Investments in perpetual notes at FVTPL	22,586	29,033
Investment properties	64,381	64,669
Others	51,732	50,984
Total Assets	1,600,271	1,690,826
Other Liabilities	(60,140)	(53,039)
Net Assets	1,540,131	1,637,787

Non-current assets were USD593.7 million (2021: USD687.3 million), representing a decrease of USD93.6 million. It was mainly due to the net decrease in investment in financial assets at FVTPL of USD79.0 million; a decrease in investments in debt instruments measured at amortised cost of USD8.6 million; and a decrease in investments in perpetual notes at FVTPL of USD6.4 million. Current assets were USD1,006.6 million (2021: USD1,003.6 million), representing an increase by USD3.0 million, which was mainly due to an increase in investments in debt instruments measured at amortised cost of USD6.1 million; an increase in bank trust accounts balances of USD8.6 million; and an increase in financial assets at FVTPL of USD9.8 million. However, the effect was offset by a decrease in accounts and other receivables of USD4.9 million; a net decrease in cash and cash equivalent of USD46.6 million; and an increase in the time deposits with original maturities of over three months of USD30.0 million.

Net Assets Value

As at 31 December 2022, the Group's net assets amounted to USD1,540.1 million, representing a decrease of USD97.7 million as compared to USD1,637.8 million as at 31 December 2021. The decrease in net assets was mainly due to the loss for the Year of USD89.4 million.

Cash Flow, Liquidity and Financial Resources

Cash Flow Summary

	2022 USD'000	2021 USD'000
Net cash from Operating Activities	19,211	17,754
Net cash used in Investing Activities	(60,085)	(79,036)
Net cash (used in)/from Financing Activities	(8,088)	2,384
Net decrease in cash and cash equivalents	(48,962)	(58,898)
Cash and cash equivalents at the beginning of the year	900,845	964,665
Effect of foreign exchange rate changes	2,370	(4,922)
Cash and cash equivalents at the end of the year	<u>854,253</u>	<u>900,845</u>

The Group's cash balance as at 31 December 2022 was USD854.3 million (2021: USD900.8 million). The net cash from operating activities for the Year of USD19.2 million was mainly resulting from loss for the Year of USD89.4 million adjusted for non-cash and non-operating items of USD87.7 million, movements in working capitals of USD12.1 million, interest received of USD5.8 million and dividend received of USD3.0 million. Net cash used in investing activities was USD60.1 million mainly included net cash outflows for investments of USD41.9 million and placing of bank deposits of USD30.0 million, which was partially offset by USD11.7 million from interest received.

The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2022 and 31 December 2021. The Group had no outstanding bank borrowings as at 31 December 2022.

Capital Structure of the Group

As at 31 December 2022, the equity attributable to the owners of the Company was USD1,538.2 million. The capital structure of the Group has not changed materially since 30 June 2022, being the end of the reporting period of the Group's interim report.

Material Acquisitions and Disposals

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) (the “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 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. The Princeville GP, incorporated in the Cayman Islands as an exempted company, is also the carried interest partner of the 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. For further details, please refer to the announcement of the Company dated 28 January 2022. As at 31 December 2022, the Princeville Fund has invested in seven projects including (i) a leading personalized news and entertainment APPs developer in Japan and the US; (ii) an eCommerce logistics technology platform in China; (iii) a leading eCommerce platform in Turkey; (iv) a leading layer-two scaling solution for the Ethereum blockchain and one of the largest NFT-focused blockchains; (v) a leading time-series database; (vi) a food technology company creating and commercialising a broad selection of plant-based products; and (vii) a digital enabler within the pharmaceutical value chain.

On 30 September 2022, (i) Golden Hero Holdings Limited (“Golden Hero”), an indirect wholly-owned subsidiary of the Company, has served a request for redemption of 11.924875 class B shares in Woodmont Investments Limited (the “Woodmont Fund”) at an estimated aggregate redemption proceeds of approximately USD8.2 million; and (ii) Aqua Trend Limited (“Aqua Trend”), an indirect wholly-owned subsidiary of the Company, has served a request for redemption of 4,092.951430 series A – series 1 shares in Serenitas Credit Gamma Offshore Fund, Ltd. (the “Serenitas Fund”) at an estimated aggregate redemption proceeds of approximately USD5.4 million. The Woodmont Fund is an exempted company incorporated in the British Virgin Islands and a long/short equity strategy hedge fund which invests primarily in long/short United States and international equities and equity derivatives

and seeks to achieve compelling risk-adjusted returns in all market conditions with low correlation and low volatility. The Serenitas Fund is an exempted company incorporated in the Cayman Islands and a relative value trading credit strategy hedge fund focused on mortgage, corporate and synthetic credit. The Serenitas Fund targets to generate attractive risk-adjusted returns with minimal financial leverage, and with a “low net risk approach” to credit spreads and interest rates. After completion of above redemptions, Golden Hero and Aqua Trend ceased to hold any shares in the Woodmont Fund and the Serenitas Fund, respectively.

On 20 January 2023, True Colour Group Limited (“True Colour”), an indirect wholly-owned subsidiary of the Company, has served a request for redemption of 8,000 class A1 shares in Shaolin Capital Partners International Fund, Ltd. (the “Shaolin Fund”) at an estimated aggregate redemption proceeds of approximately USD7.74 million. The Shaolin Fund is an exempted company incorporated in the Cayman Islands and an opportunistic and cross-asset value strategy hedge fund that uses a top-down thematic framework to capitalize on market inefficiencies. After completion of the redemption, True Colour ceased to hold any shares in the Shaolin Fund.

On 20 January 2023, Max Strength Holdings Limited, an indirect wholly-owned subsidiary of the Company, ZQ Capital Services Limited (“ZQ Capital”) (being the general partner) and Ms. Wang Jue (“Ms. Wang”) (being the initial limited partner) entered into the limited partnership agreement to subscribe for the limited partner interest in Range 22 Investors L.P. (the “Range 22 Fund”) for a capital commitment of USD32 million (equivalent to approximately HKD250.56 million). The Range 22 Fund is an exempted limited partnership established in accordance with the Exempted Limited Partnership Act (2021 Revision) of the Cayman Islands on 12 December 2022. The primary focus of the Range 22 Fund is to make investments, directly or indirectly, in the securities of mature businesses in the global healthcare industry to achieve long term capital appreciation. ZQ Capital is an exempted company incorporated in the Cayman Islands and it shall be responsible for the management and day-to-day operations of the Range 22 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. Ms. Wang is a merchant. Upon execution of the limited partnership agreement, Ms. Wang has withdrawn from the Range 22 Fund and has ceased to be a limited partner. For further details, please refer to the announcement of the Company dated 20 January 2023. As at 31 December 2022, the Range 22 Fund has not made any investment.

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

Exposure to Fluctuations in Exchange Rates and Hedge Policies

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 2022, 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 in view of the difficulties and challenges under the current economic environment, whilst maximising return and value on the Group's business and financial performance in 2023.

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 competitive commission rate, quality and efficient service, strong financial resources, and reliable trading system shall enable our financial services business to maintain a strong client loyalty and sustain stable growth in our client base.

In 2022, the recovery from the COVID-19 pandemic was prolonged and subdued given the outbreak of the COVID-19 Omicron variants in Hong Kong and extended lock-down measures. There were other factors affecting the global financial market, such as the Russo-Ukrainian War and the announcement by the US Federal Reserve to increase interest rates. The Hong Kong IPO market also remained sluggish in 2022 with many expected IPOs in the pipeline being further delayed to 2023 or later.

With the reopening of the border between Hong Kong and mainland China, the Group expected that the business and investment environment both globally and in Hong Kong will gradually recover. 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 transactions.

The Group will adopt a prudent and balanced approach and adjust its business strategies to respond to market changes in a flexible and timely manner. The Group will 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 to enhance our client coverage on the securities trading and brokerage business. The Group will closely monitor the securities market and actively review all of its implemented strategies to maximise benefits arising from such market.

For our money lending business, the management of the Group has been prudent in minimising the credit risk it is exposed to 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; global market under gradual economic recovery from the COVID-19 pandemic; collateral quality and valuation of property assets, the Group will continue to conduct prudent internal credit assessment and monitor the market and appropriately allocate its resources to other areas under the financial services business with lower risk and higher yields.

The Group will also continue to explore other possibilities in expanding our quality client base and strengthen our relationship with major institutional clients by offering more comprehensive and tailor-made financial products and services. The Group will provide general corporate financial advisory services in relation to IPO, share placings, rights issues, corporate restructuring and mergers and acquisitions. The Group will also continue to participate in underwriting services as well as other related services when suitable opportunities arise.

For 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.

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 from time to time. When its investment team considers that suitable opportunities arise which are beneficial to the Group and can enhance the Group's overall profitability and returns, the Group may consider investing 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. Against the continued restrictive travelling measures adopted by Hong Kong due to the COVID-19 pandemic during the Year, the Group was unable to conduct physical examination of properties in other countries. Since the second half of 2020, the Group has been 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 assessments if we intend to acquire any new properties.

Looking-forward. The COVID-19 pandemic has continued for over three years and had by far severely affected the global economy and corporate earnings. With the reopening of all borders, including Mainland China and Hong Kong, it is anticipated that the global economy will gradually recover, and Hong Kong will resume its normality. In view of the upcoming uncertainties as the global markets recover, 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 2022, the Group had 49 employees in Hong Kong. Employees are remunerated at a competitive level and rewarded according to their performance. The Group's remuneration packages include salary, medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

Subsequent Events

Save as disclosed in this announcement, the Board is not aware of any significant events that have occurred subsequent to 31 December 2022 and up to the date of publication of the Company's annual results announcement which require disclosure herein.

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”) set out in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited. 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 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 2023.

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 2023

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*