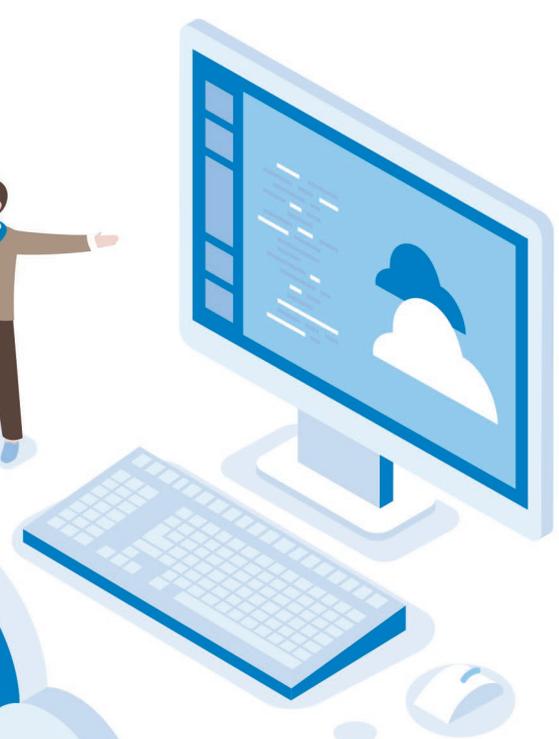
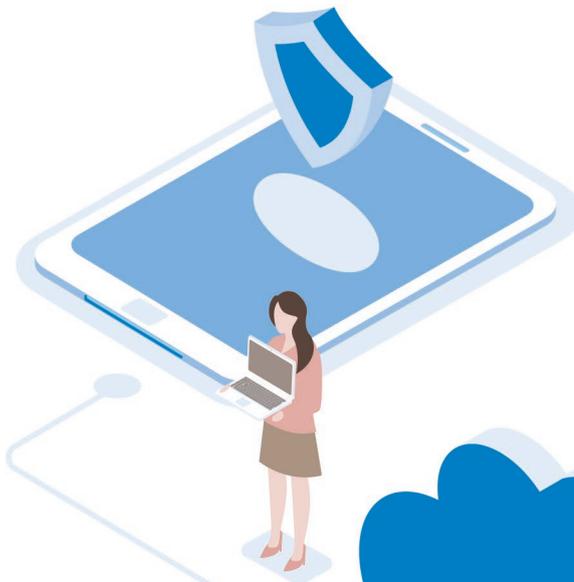
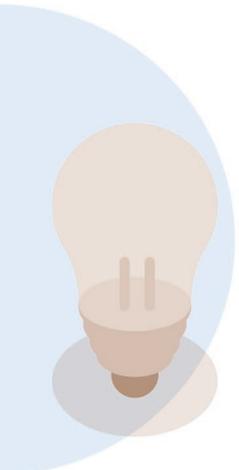




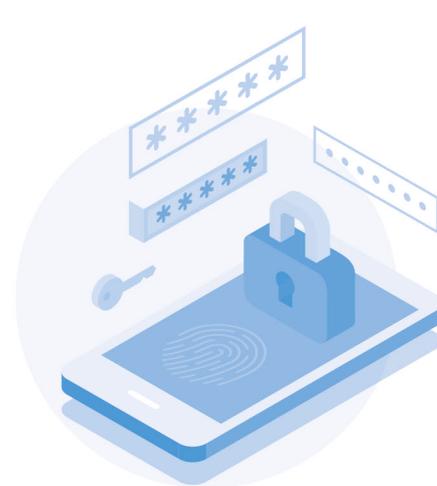
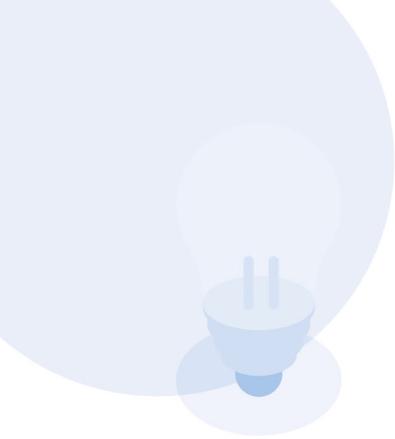
# G-RESOURCES

For the six months ended 30 June 2020  
*(Incorporated in Bermuda with limited liability)*

Stock Code: 1051



## INTERIM FINANCIAL REPORT 2020



# CORPORATE PHILOSOPHY

## OUR VALUES

We strive to be a GREAT company in all of our operations and dealings with people. The GREAT values are the foundation of our Company, and provide a core commitment to achieve the best we can for all of G-Resources' stakeholders.

## GREAT VALUES

**GROWTH** in value for all our stakeholders

**RESPECT** for our people, our communities and for all stakeholders

**EXCELLENCE** in everything we do

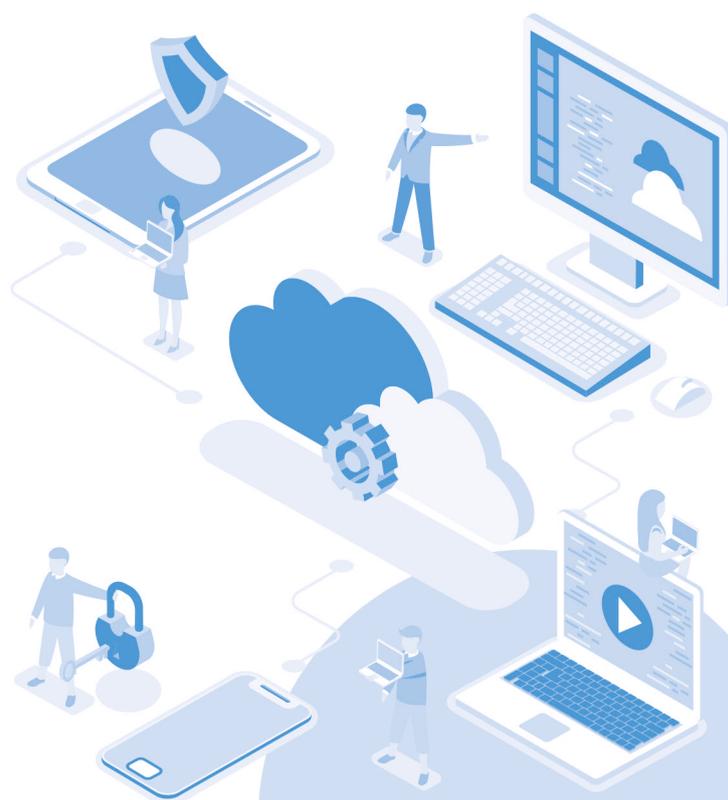
**ACTION** to deliver on our commitments

**TRANSPARENCY** openness, honesty and good governance

G-Resources is a company listed on the Hong Kong Stock Exchange focusing on principal investment business, financial services business, money lending business and real property business (HKEx: 1051).

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# CORPORATE INFORMATION



## BOARD OF DIRECTORS

### Non-Executive Director

Ms Li Zhongye, Cindy, *Chairperson*

### Executive Directors

Mr Leung Oi Kin

Mr Leung Wai Yiu, Malcolm

### Independent Non-Executive Directors

Mr Lo Wa Kei, Roy

Mr Chen Gong

Mr Martin Que Meideng

## EXECUTIVE COMMITTEE

Mr Leung Oi Kin

Mr Leung Wai Yiu, Malcolm

## AUDIT COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*

Mr Chen Gong

Mr Martin Que Meideng

## REMUNERATION COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*

Mr Chen Gong

Mr Martin Que Meideng

## NOMINATION COMMITTEE

Ms Li Zhongye, Cindy, *Chairperson*

Mr Chen Gong

Mr Martin Que Meideng

## COMPANY SECRETARY

Mr Leung Oi Kin

## AUDITOR

Moore Stephens CPA Limited

## LEGAL ADVISORS

Hong Kong: Fangda Partners

Bermuda: Appleby

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited

Bank of Communications Co., Ltd.

Shanghai Pudong Development Bank Co., Ltd.

Hang Seng Bank Limited

## SHARE REGISTRARS

### Hong Kong

Union Registrars Limited

Suites 3301-04, 33/F.

Two Chinachem Exchange Square

338 King's Road

North Point, Hong Kong

### Bermuda

MUFG Fund Services (Bermuda) Limited

4th floor North

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

## REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1801, 18/F

Capital Centre

No. 151 Gloucester Road

Wanchai, Hong Kong

## WEBSITE

[www.g-resources.com](http://www.g-resources.com)

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



## Non-Executive Director

### Li Zhongye, Cindy, aged 52

was appointed as a chairperson of the Company and non-executive Director on 12 October 2018. Ms Li has twenty years of experience in finance and information technology industry and possesses extensive corporate management experience. She has been working as a director of WeAreHAH since January 2019 and a board advisor of Chengdu Yushuo Technology Company Ltd. since January 2017. Ms Li also served as an independent non-executive director of Wan Kei Group Holdings Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and a director of Sunny Education Inc.. Ms Li obtained a medical degree in Capital Medical University, in the People's Republic of China in 1992.

## Executive Directors

### Leung Oi Kin, aged 46

was appointed as an executive Director and company secretary of the Company on 8 November 2016 and 16 December 2016, respectively. Mr Leung is a director of various subsidiaries of the Company. He has more than twenty years of experience in accounting and financial management. He is a professional accountant and a fellow member of the CPA Australia. He is currently an independent non-executive director of Austar Lifesciences Limited (whose shares are listed on the Main Board of the Stock Exchange). Prior to joining the Group, he was the company secretary and chief financial officer of Wisdom Sports Group (formerly known as Wisdom Holdings Group) (whose shares are listed on the Main Board of the Stock Exchange); and the chief financial officer of Linekong Interactive Group Co., Ltd. (formerly known as Linekong Interactive Co., Ltd.) (whose shares are listed on GEM of the Stock Exchange). Mr Leung also worked in PricewaterhouseCoopers as an auditor. Mr Leung graduated from University of Adelaide, Australia in 1997 with a bachelor's degree in commerce.

### Leung Wai Yiu, Malcolm, aged 38

was appointed as an executive Director on 16 April 2018. Mr Malcolm Leung currently serves as executive director, chief investment officer of the Company and is primarily responsible for the Group's investment, asset management and strategic planning, as well as formulating the Group's overall business and asset portfolio strategy. He is also responsible for the day-to-day operations and overall management of the Company's investment management team. He is a director of various subsidiaries of the Company. Mr Malcolm Leung has over seventeen years of extensive experience in asset management, investment banking and technology industry, based in the United States, Singapore and Hong Kong. Prior to joining the Group in 2017, Mr Malcolm Leung held key positions in various multinational financial institutions and investment banks including Bank of America Merrill Lynch, Standard Chartered and HSBC, and he was responsible for leading global private equity investments and cross-border merger and acquisition transactions, covering different industries such as technology, real estate, financials, insurance and healthcare. Mr Malcolm Leung obtained a master's degree in business administration from the Massachusetts Institute of Technology in 2008 in the United States.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



## Independent Non-Executive Directors

### Lo Wa Kei, Roy, aged 49

was appointed as an independent non-executive Director on 17 July 2017. Mr Lo is a practicing accountant in Hong Kong and is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and a fellow of the Institute of Chartered Accountants in England and Wales. He serves as the managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among other things, audit and business advisory services. He is also a member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference, the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association and the Divisional President 2019 — Greater China of CPA Australia. Mr Lo has over twenty-seven years of experience in auditing, accounting, risk management and finance and has been serving as an independent non-executive director of a number of companies listed on the Stock Exchange, including China Tonghai International Financial Limited (formerly known as China Oceanwide International Financial Limited), Wan Kei Group Holdings Limited, Sun Hing Vision Group Holdings Limited, China Zhongwang Holdings Limited, China Oceanwide Holdings Limited (formerly known as Hutchison Harbour Ring Limited) and Xinming China Holdings Limited. He also served as an independent non-executive director of Sheen Tai Holdings Group Company Limited (whose shares are listed on the Main Board of the Stock Exchange). Mr Lo received a bachelor's degree of business administration from The University of Hong Kong in 1993 and a master's degree of professional accounting from The Hong Kong Polytechnic University in 2000.

### Chen Gong, aged 50

was appointed as an independent non-executive Director on 3 February 2017. Mr Chen has more than twenty years of extensive experience in finance management, mergers & acquisitions, financing, negotiation and restructuring in a cross-culture environment. Mr Chen has participated in cross-border merger & acquisition and financing transactions. He has been involved in the management of various public companies listed on the Toronto Stock Exchange, in the capacity of director and/or chief executive officer/chief financial officer. He is currently an independent director of Newmac Resources Inc. (whose shares are listed on TSX Venture Exchange); an independent director of Ord Mountain Resources Corp. (whose shares are listed on TSX Venture Exchange NEX); a director and chief financial officer of Credent Capital Corp. (whose shares are listed on TSX Venture Exchange NEX); and a director and chief financial officer of Nextraction Energy Corp. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen is also the founder and managing director of DoubleOcean Financial Group, a financial advisory company that facilitates the cross-border investments between North America and China. Mr Chen was a director and chief executive officer of First Growth Holdings Ltd. (whose shares are listed on TSX Venture Exchange) and an independent director of Evermount Ventures Inc. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen also worked in various financial management positions at two Fortune 100 companies in the United States for about eight years. Mr Chen received a bachelor's degree in International Economics from Peking (Beijing) University in 1992 and a master of business administration (MBA) from the University of Arizona in 1997. He is a United States Certified Public Accountant (CPA).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



## **Martin Que Meideng, aged 59**

was appointed as an independent non-executive Director on 3 February 2017. Mr Que has over twenty-five years of extensive experience of North American financial investment and management. A Certified Financial Planner in North American, covering tax planning, investment and risk management. Mr Que is a president and owner of Allvista Financial and Planning Services Inc., British Columbia, Canada; a vice-president of Marketing of Citistar Financial, British Columbia, Canada; and a chief financial officer of Blue-O Technology Inc., British Columbia, Canada, a fuel cell technology company. He was a chief financial officer and a director of McVicar Energy Inc., Ontario, Canada, a natural resources and investment company. He is also a member of the Million Dollar Round Table (MDRT) of The Premier Association of Financial Professionals®, a Certified Financial Planner of the Financial Planning Standards Council and a Chartered Life Underwriter of The American College of Financial Services. Mr Que received a bachelor of engineering from Wuhan College of Geology in 1983 and a master of science from China University of Geosciences of China in 1986.

## **Senior Management**

### **John Lawrence Sigerson, aged 49**

is a director and chief operating officer of Funderstone Securities Limited (“FSL”) and Funderstone Futures Limited (“FFL”). Mr Sigerson has over twenty years of wide ranging experience in the Hong Kong financial services industry, from broking to fund management. Since 2014, he has been licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) as a responsible officer for type 1, type 2, type 4, type 5 and type 9 regulated activities. Mr Sigerson currently carries out this role for FSL, FFL and Funderstone Asset Management (HK) Limited. Mr Sigerson graduated from Newcastle University, United Kingdom in 1992 with a bachelor’s degree in Theoretical Physics.

### **Chan Chun Fung, aged 36**

is a director and general manager of FSL and FFL. Mr Chan has over ten years of experience in the financial services industry. Since 2012, he has been licensed under the SFO as a responsible officer for type 1, type 2, type 4 and type 5 regulated activities in industry, and licensed responsible officer for FSL and FFL in 2019. With extensive financial industry experience in Chinese capital companies such as Dongxing Securities (Hong Kong) Financial Holdings Limited, iFAST Financial (HK) Limited, Ping An of China Securities (Hong Kong) Company Limited, Huatai Financial Holdings (Hong Kong) Limited, United Simsen Securities Limited (currently known as Huarong International Securities Limited) and Bright Smart Securities & Commodities Group Limited (whose shares are listed on the Main Board of the Stock Exchange), Mr Chan has built his strongest expertise in middle to back office operations, information technology, client services and business development. Mr Chan obtained his bachelor’s degree in Commerce from Curtin University of Technology, Australia in 2007.

### **Lau Yue Wah, Brian, aged 46**

is a director of various subsidiaries of the Company. He is a co-founder of Enhanced Securities Limited (“ESL”) and Enhanced Finance Limited (“EFL”). Mr Lau has over twenty years of experience in the financial services industry. He had held different positions in ESL and EFL. He is a responsible officer for type 1, type 2, type 4 and type 9 regulated activities under the SFO and is also the manager-in-charge of overall management oversight of ESL. Mr Lau graduated from The University of New South Wales in Sydney, Australia.



# MANAGEMENT DISCUSSION AND ANALYSIS



## Business Review and Results

Below is a summary of the financial information:

	For the six months ended 30 June	
	2020 USD'000	2019 USD'000
Revenue	15,171	13,114
Other income	6,607	7,912
Administrative expenses	(4,863)	(5,595)
Fair value changes of financial assets at fair value through profit or loss	18,406	16,790
(Decrease)/increase in fair value of investment properties	(3,079)	3,481
Provision of impairment on non-financial assets	–	(4,327)
EBITDA	29,656	29,911
Profit before taxation (Note)	29,191	29,390
Profit for the period	29,191	29,394
<b>Analysis of revenue by operating segment:</b>		
(i) Principal Investment Business	12,168	10,597
(ii) Financial Services Business	1,977	1,397
(iii) Real Property Business	1,026	1,120
<b>Analysis of profit/(loss) before taxation by operating segment:</b>		
(i) Principal Investment Business	33,449	33,398
(ii) Financial Services Business	453	(1,082)
(iii) Real Property Business	1,046	1,138

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

For the six months ended 30 June 2020, the Group achieved a net profit for the period of USD29.2 million (the six months ended 30 June 2019: USD29.4 million). The main reason for the slight decrease in net profit after tax by USD0.2 million as compared to the six months ended 30 June 2019 was due to the combined effect of the following: (i) the increase in revenue by USD2.1 million; (ii) increase in fair value changes of financial assets at fair value through profit or loss (“financial assets at FVTPL”) by USD1.6 million; and (iii) the decrease in provision for impairment on non-financial assets by USD4.3 million, however, the effect was offset by (i) the decrease in fair value of investment properties in the first half of 2020 of USD3.1 million and the increase in fair value of investment properties in the first half of 2019 of USD3.5 million; and (ii) the decrease in other income by USD1.3 million.

Revenue was USD15.2 million (the six months ended 30 June 2019: USD13.1 million), mainly generated by the dividend and distribution income as well as interest income from financial products; interest income from financial institutions, margin financing and money lending business; commission income and handling charges from financial services; as well as rental income. The increase in revenue was mainly due to (i) the net increase in dividend and distribution income and interest income from financial products under principal investment business by USD1.9 million which was mainly due to distribution income received from our unlisted security investments; and (ii) the increase in commission income and handling charges from financial services and interest income from margin financing by USD0.7 million.

# MANAGEMENT DISCUSSION AND ANALYSIS



Same as that for the year ended 31 December 2019 (amounted to USD15.2 million), substantially all of the other income for the six months ended 30 June 2020 was interest income generated from the fixed income investment, amounted to USD6.5 million (the six months ended 30 June 2019: USD7.9 million).

Fair value of the investment properties has dropped by USD3.1 million due to the continual decline in prices of Hong Kong housing and commercial properties in the first half of 2020. The recognition of exchange loss of USD2.9 million was due to the change in exchange rate for the period end balance for the six months ended 30 June 2020. The increase in fair value changes of financial assets at FVTPL was mainly due to the net increase in fair value of the listed shares, listed bonds and unlisted security investments which were mainly acquired in previous years.

Administrative expenses were USD4.9 million for the six months ended 30 June 2020, a slight decrease of USD0.7 million as compared with USD5.6 million for the six months ended 30 June 2019. Such decrease was mainly due to effective expenses control of the Group for the period.

## General description on the Group's investment strategies

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

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

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

### (i) Principal Investment Business

During the six months ended 30 June 2020, the Group invested approximately USD6.8 million in unlisted financial assets, which was mainly payment for a commitment of the unlisted security investments under the funds subscribed by the Group since 2017, namely Genesis Capital II LP and Terra Magnum Fund I LP. During the six months ended 30 June 2020, the Group (i) invested USD8.6 million in listed bonds; and (ii) disposed and accepted early repurchase of listed bonds of USD7.1 million. Other than the abovementioned reasons, the net increase of USD23.3 million in non-cash financial assets was primarily due to the return on capital investment generated from the unlisted security investments and the net realised and unrealised fair value gain on the listed shares, listed bonds and unlisted security investments mainly acquired in previous years.

The profit before taxation was USD33.4 million which mainly included interest income and dividend and distribution income from the financial assets of USD17.4 million, fair value changes for financial assets at FVTPL of USD18.4 million, and offset by exchange loss of USD2.1 million.



# MANAGEMENT DISCUSSION AND ANALYSIS



As at 30 June 2020, the Group held approximately USD449.8 million non-cash financial assets, as follows:

	<b>30 June 2020 USD'000</b>	31 December 2019 USD'000
Listed shares	<b>49,250</b>	36,842
Listed bonds	<b>165,206</b>	166,482
Unlisted security investments	<b>235,345</b>	223,135
Total	<b>449,801</b>	426,459

## *Significant Investments*

### *Genesis Capital I LP (“Genesis Fund”)*

The Group held limited partner interest of Genesis Fund as an unlisted security investment since April 2017. The diversified investment portfolio of the Genesis Fund operates in the form of a limited partnership, yielding returns from investing in a wide range of equity and equity-related securities of growth and late-stage technology entities. The Group’s capital commitment to Genesis Fund accounts for 17.8% of total partners’ capital commitment as at 30 June 2020. The fair value of the investment as at 30 June 2020 was USD135.7 million, which accounted for 8.5% of the total assets of the Group as at 30 June 2020. The investment cost of Genesis Fund is USD82.8 million.

Genesis Fund has achieved income generation and seen capital appreciation during the three years’ time since our investment in April 2017. For the six months ended 30 June 2020, the unrealised gains of the investment was USD5.3 million. Moving forward, the Group is optimistic about the potential of this investment. It is expected that the information technology for both consumer and enterprise sectors in China will continue to grow in fast pace under a new wave of innovations which will create new Internet platforms with great potential for developments, and thus present rewarding investment opportunities. Although the growth rate slightly slowed down under the temporary suspension of operations around the world in the first half of 2020 due to the outbreak of Coronavirus Disease (“COVID-19”), the Group can still benefit from this investment in long run under the massive digitisation support by the information technology development in China. Being a limited partner of Genesis Fund, based on the proven track record, the Group believes that by leveraging the strategic and extensive resources available and extensive experience in investment and fund operation in the technology, media and telecommunications industry possessed by Genesis Fund’s management team, the investment will continue to bring about valuable investment opportunities and increasing financial returns.



## *Edge Special Opportunity Limited (“Edge Special”)*

The Group held ordinary shares and preferred shares interest of Edge Special as unlisted security investments. Edge Special is an investment holding company which owns 19.6% interests of SSC Holdco Limited (“SSC”), which is a company incorporated in the Cayman Islands holding interests in medical device business. The total issued share capital of Edge Special consists of 50,000 special shares, 30,000 ordinary shares and 34,000 preferred shares. The Company is the ultimate sole owner of the entire issued ordinary shares and preferred shares as at 30 June 2020. The fair value of the ordinary shares and preferred shares as at 30 June 2020 were USD50.0 million and USD33.7 million, respectively, which accounted for 5.2% of the total assets of the Group as at 30 June 2020 in aggregate. The investment costs of the ordinary shares and preferred shares were USD30.0 million and USD33.9 million, respectively.

Edge Special has seen capital appreciation since our initial investment in February 2017. For the six months ended 30 June 2020, the unrealised gain of the investment in the ordinary shares of Edge Special was USD2.6 million and the unrealised loss of the investment in the preferred shares of Edge Special was USD0.9 million. Moving forward, the Group is optimistic about the potential of this investment and believes it will continue to create financial returns. SCC holds the entire equity interest in Angiotech Pharmaceuticals, Inc (“API”), a pharmaceutical company incorporated under the laws of British Columbia. API is a diversified medical device manufacturer of branded, private label and OEM products, which has manufacturing facilities in England, Puerto Rico, Mexico and Germany, and covers markets across the United States, European Union and China. With the rising geriatric population and the growing prevalence of chronic conditions, along with growth in surgical procedures and complex surgeries, the Group has a positive outlook of the healthcare industry, especially the booming of the medical devices market.

Except for the investment disclosed above, there was no other single investment (for example, financial assets at FVTPL and investments in debt instruments measured at amortised cost) in the Group’s diversified investment portfolio that was considered a significant investment, given that none of the investments has a carrying amount accounting for more than 5% of the Group’s total assets as at 30 June 2020.

## **(ii) Financial Services Business**

The Group focuses on the 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, the two limbs of the Group which are 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.

Under the unfavourable global environment and the Hong Kong economy, the Group has adopted a transformation plan for our margin financing and money lending business in 2019. In the first half of 2020, the Group was already able to see the effectiveness of the plan and has already commenced to yield favourable rewards marking the satisfactory progress of such implementation. With the Group’s diversified product offerings and high-quality client base, the Group has noted remarkable success in three of our key financial services areas, namely, margin financing, initial public offerings (“IPO”) margin financing, and underwriting services. The Group believes that it has developed a niche in the margin financing market to serve corporate and retail clients in meeting their corporate goals and personal needs. The Group managed to build on our renowned reputation for delivering professional and personalised services and achieved outstanding results for both our margin financing and IPO margin financing businesses. The Group also participated in underwriting exercises in the first half of 2020. The Group will actively identify business opportunities and expanded into more business lines and provide greater variety of financial services to investors.



# MANAGEMENT DISCUSSION AND ANALYSIS



For the six months ended 30 June 2020, revenue generated from the financial services business mainly consists of (i) commission income and handling charges from financial services; (ii) interest income from margin financing and money lending business; and (iii) asset management fee income.

The profit before taxation was USD0.5 million (the six months ended 30 June 2019: loss before taxation: USD1.1 million), which was mainly due to the increase in commission income and handling charges from financial services, interest income from margin financing and money lending business and other income for the period.

## *Commission income and handling charges*

During the six months ended 30 June 2020, the commission income and handling charges from financial services was USD1.4 million (the six months ended 30 June 2019: USD1.0 million). The increase of the commission income and handling charges is mainly due to an increase in trading volume derived from new clients' acquisition and business from underwriting services, and the handling charges from providing margin financing and IPO margin financing.

## *Interest income from margin financing and money lending business*

The interest income from margin financing and money lending business was USD0.4 million (the six months ended 30 June 2019: USD0.2 million). The slight increase was driven by the transformation plan adopted by the Group since 2019, resulting from granting IPO margin financing and secured mortgage loan.

The interest income from margin financing increased by USD0.2 million compared to the six months ended 30 June 2019. The increase in interest income and accounts receivables were due to the satisfactory progress of the transformation plan and the continued strengthening of our margin financing and IPO margin financing businesses. During the six months ended 30 June 2020, the Group provided IPO margin financing for 24 IPO stocks and the total IPO subscription amount for such stocks was over USD433.0 million. The accounts receivables from clients for subscription of new shares in IPOs under the business of dealing in securities as at 30 June 2020 was USD26.5 million (as at 31 December 2019: nil). The total margin financing balance for our margin financing business increased tremendously to USD9.9 million (as at 31 December 2019: USD3.0 million). The Group has spent tremendous effort to promote the IPO margin financing business, including but not limited to: (i) developing mutual cooperative arrangements with multiple brokerage firms; (ii) deepening the relationship with existing clients by offering more comprehensive and tailor-made services; and (iii) further strengthening brand name through different marketing campaigns. During the period, over 64,000 clients have made IPO margin financing subscription through multiple business channels.

During the period, the Group's loan advanced for money lending business was USD1.0 million and the outstanding loan balance as at 30 June 2020 was USD1.0 million. The Group had no bad debts during the period. As at 30 June 2020, all the loans receivable of the Group was secured. The Group's money lending vehicle was adjusted to mainly involve provision of secured and mortgage loan since second quarter of 2019. Although a lower interest rate will be offered for secured loans as they are backed by collateral, the credit risk is comparatively lower than that of unsecured loans.

# MANAGEMENT DISCUSSION AND ANALYSIS



## (iii) Real Property Business

The Group had three floors of commercial office (including 17th, 18th and 19th floor) and ten car parks located in Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. The commercial offices are used by our head office and subsidiaries and leased to third parties for office use under a lease of not more than three years. The rental income earned and the profit before taxation were USD1.0 million and USD1.0 million (the six months ended 30 June 2019: USD1.1 million and USD1.1 million) for the period, respectively, which were relatively stable as compared to the same period in 2019.

The Group has been seeking for investment opportunities for quality and upscale commercial properties and other types of properties. Apart from properties in Hong Kong, the Group is seeking investment opportunities in other regions, including North America and European countries, and also exploring opportunities to gain exposure to Grade A office spaces and business parks in Greater Bay Area (i.e. Shenzhen and Guangzhou). Hong Kong's commercial property market continued its downward cycle due to the US-China trade war and the outbreak of COVID-19 pandemic. The Group was unable to conduct physical examination of properties in other countries due to restrictive travelling measures. Due to the uncertainty in Hong Kong commercial market; and the difficulty to fully analyse overseas properties under current circumstances, the Group did not identify properties which are suitable for our value-add or opportunistic investment strategies.

## Review of Group Financial Position

	<b>30 June 2020 USD'000</b>	31 December 2019 USD'000
Current Assets		
Bank balances and cash	<b>920,699</b>	940,486
Financial assets at FVTPL	<b>49,250</b>	36,842
Investments in debt instruments measured at amortised cost	<b>22,062</b>	11,447
Others	<b>100,040</b>	55,988
Non-current Assets		
Financial assets at FVTPL	<b>235,345</b>	223,135
Investments in debt instruments measured at amortised cost	<b>85,487</b>	96,564
Investments in perpetual notes at fair value through profit or loss	<b>57,657</b>	58,471
Investment properties	<b>73,261</b>	89,507
Others	<b>52,243</b>	38,977
Total Assets	<b>1,596,044</b>	1,551,417
Other Liabilities	<b>(68,465)</b>	(57,745)
Net Assets	<b>1,527,579</b>	1,493,672

Non-current assets were USD504.0 million (31 December 2019: USD506.7 million), representing a decrease of USD2.7 million. It was mainly due to (i) the reclassification of investments in debt instruments measured at amortised costs from non-current asset to current asset of USD14.8 million; (ii) the decrease in fair value of investment properties of USD3.1 million; and (iii) the net decrease in investments in perpetual notes at fair value through profit or loss of USD0.8 million which was partially offset by net increase in investment in financial assets at FVTPL of USD12.2 million. Current assets were USD1,092.1 million (31 December 2019: USD1,044.8 million), representing an increase by USD47.3 million which was mainly due to an increase in financial assets at FVTPL, investments in debt instruments measured at amortised costs and other current assets amounted to USD12.4 million, USD10.6 million and USD44.1 million, respectively, which were partially offset by the decrease in bank balances and cash of USD19.8 million.



# MANAGEMENT DISCUSSION AND ANALYSIS



## Net Asset Value

As at 30 June 2020, the Group's net assets amounted to USD1,527.6 million, representing an increase of USD33.9 million as compared to USD1,493.7 million as at 31 December 2019. The increase in net assets was mainly due to the profit for the period of USD29.2 million and the exchange difference arising from the translation of USD4.7 million.

## Cash Flow, Liquidity and Financial Resources

### Cash Flow Summary

	For the six months ended 30 June	
	2020 USD'000	2019 USD'000
Net cash (used in)/from Operating Activities	(31,093)	12,798
Net cash from Investing Activities	7,405	45,041
Net cash used in Financing Activities	(145)	(19,059)
Net (decrease)/increase in cash and cash equivalents	(23,833)	38,780
Cash and cash equivalents at beginning of the period	940,486	887,070
Effect of foreign exchange rate changes	4,046	2,986
Cash and cash equivalents at end of the period	920,699	928,836

The Group's cash balance as at 30 June 2020 was USD920.7 million (31 December 2019: USD940.5 million). The net cash used in operating activities for the six months ended 30 June 2020 of USD31.1 million was mainly contributed to the working capital of operations. Net cash from investing activities was USD7.4 million mainly included USD14.6 million from interest received, which was partially offset by net outflows of investments of USD7.1 million. Net cash used in financing activities was USD0.1 million mainly included the repayments of leases liabilities. During the six months ended 30 June 2020, new bank borrowings raised of USD16.5 million with the placement of pledged bank deposits of USD16.9 million, which have been fully offset by the repayment of bank borrowings and withdrawal of pledged bank deposits of the same amount respectively.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 30 June 2020, as the Group did not have any outstanding borrowings as at 30 June 2020. The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2019.

## Capital Structure of the Group

The capital structure of the Group has not changed materially since 31 December 2019, being the end of the reporting period of the Group's annual report.

## Material Acquisitions and Disposals

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during the period and as at the publication of the Company's interim results announcement.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS



## Pledge of Assets

As at 30 June 2020, no assets of the Group had been pledged.

## Business Outlook

Banking on our existing solid capital base, we actively optimised resources allocation and maintained our conservative and diligent investment philosophy. We believe that this strategy enables us to minimise the impact on the Group's business and financial performance in the second half of 2020 under the current economic environment.

**Principal investment business.** In the second half of 2020, the Group will continue to maintain its existing investment portfolio with a combination of diversified investment in funds, bonds and securities (including listed or unlisted securities) we invested in the past years. The Group will adopt a conservative approach in our principal investment business, unless there are suitable opportunities arise which are very beneficial to the Group by elevating the Group's overall profitability and returns.

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

In view of the outbreak of COVID-19 pandemic, there is increasing uncertainty in the credit quality of potential clients and market value of property collateral. The Group will take a prudent approach in conducting its stringent risk control assessments prior to provide its money lending services.

In the first half of 2020, against the backdrop of the US-China trade war, the flock back of US-listed Chinese companies to Hong Kong for primary and secondary listings and the increase in the number of IPOs in Hong Kong, the Group was exposed to more opportunities in the IPO market, in particular, for the provision of IPO margin financing and underwriting services. The Group seeks to promote its IPO margin financing business through different channels, including existing clients, brokerage firms and its network of account executives. The Group has put tremendous efforts in expanding its IPO margin financing services by further developing its sales channels through mutual cooperative arrangements with multiple brokerage firms in addition to our continually expanding high quality client base. The Group has also introduced an incentive structure for its account executives to encourage the promotion of IPO margin financing business. The Group has conducted marketing campaigns and continue to conduct brand building and brand awareness activities and developing and stabilizing its image as one of the major market players for the provision of IPO margin financing services. As the number of IPOs and secondary listings should further increase in the second half of the year, the Group will continue to use its multiple channels and incentive measures to further strengthen its IPO margin financing business.

The Group will closely monitor IPO market developments to participate in underwriting services as well as other related services including securities trading and brokerage and placing when suitable opportunities arise to benefit from this situation.

The Group will continue to strengthen our relationship with several major institutional clients by offering more comprehensive and tailor-made financial products and services, including overseas equities brokerage, global derivatives trading, China connect securities trading, margin financing and underwriting services.

In relation to our asset management business, the Group will continue to provide customised discretionary investment management services to high-net-worth clients and to further enhance brand awareness and market reputation.



# MANAGEMENT DISCUSSION AND ANALYSIS



**Real property business.** In view of the COVID-19 pandemic, many countries have imposed restrictive measures including closure of borders to tourists, destination-specific travel restrictions, suspension of flights and quarantine requirements. As a result, we have difficulties in conducting physical examination of properties in other countries and have therefore slowed down the process of seeking new investment opportunities in the first half of 2020. In the second half of 2020, as the COVID-19 pandemic gradually eases and different countries intend to slowly relax their restrictive measures, the Group will resume a more active role in seeking investment opportunities for quality and upscale commercial properties and other types of properties. Meanwhile, the Group notes that there is increasing number of distressed or foreclosed properties available in the areas where the Group are focusing on, partly due to the economic impact under the outbreak of the COVID-19 pandemic. The Group will explore such properties provided that they are usually sold by banks or financial institutions at a price lower than open market value, which indicates that there will be potential capital appreciation in future. The Group will take all necessary and proper assessment if we intend to acquire such properties.

## Human Resources

As at 30 June 2020, the Group had 69 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. The Group's remuneration packages include a medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

# OTHER INFORMATION



## Directors and Executive Officers' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2020, none of the Directors and executive officers of the Company ("Executive Officers") or their respective associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by directors and chief executives of the Company (the "Model Code") required to be disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## Discloseable Interests and Short Positions of Substantial Shareholders other than Directors and Executive Officers

As at 30 June 2020, so far as known to the Directors or Executive Officers, the following persons/entities are the shareholders (other than the Directors or Executive Officers) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

## Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares (Notes 1)	Approximate % of the issued share capital of the Company	Notes
Xie Pengfei	Interest of a controlled corporation	7,676,346,022 (L)	28.38%	2
PX Global Advisors, LLC	Interest of a controlled corporation	7,676,346,022 (L)	28.38%	2
PX Capital Management Ltd.	Interest of a controlled corporation	7,676,346,022 (L)	28.38%	2
PX Capital Partners L.P.	Beneficial owner	7,676,346,022 (L)	28.38%	2

Notes:

- "L" denotes long position.
- PX Global Advisors, LLC is wholly-owned by Mr Xie Pengfei. PX Global Advisors, LLC owns 40% equity interests of PX Capital Management Ltd.. PX Capital Partners L.P. is wholly-owned by PX Capital Management Ltd.. Under Part XV of the SFO, Mr Xie Pengfei, PX Global Advisors, LLC and PX Capital Management Ltd. are deemed to have interest in the shares of the Company held by PX Capital Partners L.P..

Save as disclosed above, the Company has not been notified by any person (other than the Directors or Executive Officers) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 30 June 2020.



## OTHER INFORMATION



### Share Option

Particulars of the share option scheme of the Company are set out in note 16 to the financial statements contained in this interim report.

### Share Option Scheme

In order to continue to provide incentives and rewards to the eligible employees and participants, the Company adopted a share option scheme pursuant to a resolution passed by the shareholders of the Company on 18 June 2014, of which the general scheme limit has been revised pursuant to a resolution passed by the shareholders of the Company on 15 June 2018 (the “2014 Share Option Scheme”) which will remain in force for ten years from the date becoming effective.

An offer of the grant of an option may be accepted by an eligible participant within 28 days from the date upon which it is made. A consideration of HKD1 is payable on acceptance of the offer of grant of an option. The period within which the options must be exercised will commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions of early termination thereof. The subscription price shall be determined by the board of directors of the Company (the “Board”), but shall not be lower than the highest of (i) the closing price of shares at the date of grant which must be a business day; (ii) the average closing price of shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. Unless the Board otherwise determined and stated in the offer of the grant of options to an eligible participant, there is neither any performance targets that needs to be achieved by the grantee before any options can be exercised nor any minimum period for which the option must be held before it can be exercised.

As at 30 June 2020, the total number of shares of the Company issuable pursuant to the 2014 Share Option Scheme on the date of its adoption was 1,352,442,239 shares of the Company, representing 5.0% of the issued share capital of the Company as at the date of this interim report and there was no share option granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme as at the date of this interim report.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Interim Dividend

The Board does not recommend the proposal and payment of an interim dividend for the six months ended 30 June 2020 (no interim dividend was proposed or paid for 2019).

### Compliance with the Corporate Governance Code

The Company has adopted the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2020.

# OTHER INFORMATION



## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Enquiry has been made of all Directors, and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2020.

## Audit Committee

The Audit Committee of the Company ("Audit Committee"), with terms of reference in compliance with the provisions set out in the Corporate Governance Code, comprises three members who were all independent non-executive Directors for the six months ended 30 June 2020. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters. The interim report for the six months ended 30 June 2020 has been reviewed by the Audit Committee.

By Order of the Board

**Li Zhongye, Cindy**

*Chairperson*

Hong Kong, 28 August 2020



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS



For the six months ended 30 June 2020

For the six months ended 30 June

	NOTES	2020 USD'000 (Unaudited)	2019 USD'000 (Unaudited)
Revenue			
Interest income	4	7,089	9,625
Dividend and distribution income	4	5,522	1,188
Fee and commission income	4	1,534	1,181
Rental income	4	1,026	1,120
		<b>15,171</b>	13,114
Other income		6,607	7,912
Administrative expenses		(4,863)	(5,595)
Fair value changes of financial assets at fair value through profit or loss		18,406	16,790
Net gain from disposal of investments in debt instruments measured at amortised cost		51	44
(Decrease)/increase in fair value of investment properties		(3,079)	3,481
Provision of impairment on non-financial assets	6	–	(4,327)
(Provision for)/Reversal of expected credit losses on financial assets, net		(222)	151
Other loss		(2,870)	(2,347)
Finance cost		(10)	(126)
Gain on disposal of associates		–	313
Share of results of associates		–	(20)
Profit before taxation		29,191	29,390
Taxation	5	–	4
Profit for the period	6	29,191	29,394
Profit/(loss) for the period attributable to:			
Owners of the Company		29,191	29,461
Non-controlling interests		–	(67)
		29,191	29,394
Earnings per share			
– Basic and diluted (US cent)	8	0.11	0.11

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the six months ended 30 June 2020

For the six months ended 30 June

	<b>2020</b> <b>USD'000</b> <b>(Unaudited)</b>	2019 USD'000 (Unaudited)
Profit for the period	<b>29,191</b>	29,394
Other comprehensive income/(expenses):		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	<b>6,197</b>	4,395
Fair value gain on financial assets at fair value through other comprehensive income	—	4,043
	<b>6,197</b>	8,438
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>(1,481)</b>	(927)
	<b>(1,481)</b>	(927)
Other comprehensive income for the period	<b>4,716</b>	7,511
Total comprehensive income for the period	<b>33,907</b>	36,905
Total comprehensive income for the period attributable to:		
Owners of the Company	<b>33,907</b>	35,671
Non-controlling interests	—	1,234
	<b>33,907</b>	36,905



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020



	NOTES	30 June 2020 USD'000 (Unaudited)	31 December 2019 USD'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	31,613	18,218
Right-of-use assets		116	248
Investment properties	10	73,261	89,507
Financial assets at fair value through profit or loss	11	235,345	223,135
Investments in debt instruments measured at amortised cost	11	85,487	96,564
Investments in perpetual notes at fair value through profit or loss	11	57,657	58,471
Other receivables and deposits	12	796	793
Intangible assets		1,746	1,746
Goodwill		17,972	17,972
		<b>503,993</b>	<b>506,654</b>
<b>CURRENT ASSETS</b>			
Accounts and other receivables	12	44,120	12,424
Loans receivable		1,032	–
Investments in debt instruments measured at amortised cost	11	22,062	11,447
Financial assets at fair value through profit or loss	11	49,250	36,842
Tax recoverable		97	97
Bank trust accounts balances	13	54,791	43,467
Bank balances and cash		920,699	940,486
		<b>1,092,051</b>	<b>1,044,763</b>
<b>CURRENT LIABILITIES</b>			
Lease liabilities		114	200
Accounts and other payables	14	68,035	57,181
Tax payable		22	22
		<b>68,171</b>	<b>57,403</b>
<b>NET CURRENT ASSETS</b>			
		<b>1,023,880</b>	<b>987,360</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,527,873</b>	<b>1,494,014</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		288	288
Lease liabilities		6	54
		<b>294</b>	<b>342</b>
		<b>1,527,579</b>	<b>1,493,672</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	34,871	34,871
Reserves		1,492,708	1,458,801
<b>TOTAL EQUITY</b>			
		<b>1,527,579</b>	<b>1,493,672</b>

The condensed consolidated financial statements on pages 18 to 36 were approved and authorised for issue by the Board of Directors on 28 August 2020 and are signed on its behalf by:

**Leung Oi Kin**  
Director

**Leung Wai Yiu, Malcolm**  
Director



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company								Non-controlling interests USD'000	Total USD'000
	Share capital USD'000	Share premium USD'000	Capital redemption reserve USD'000	Contributed surplus USD'000	Exchange reserve USD'000	Investment revaluation reserve USD'000	Retained earnings USD'000	Total USD'000		
(Unaudited)										
At 1 January 2019	34,871	1,023,183	212	11,658	(9,092)	(3,932)	384,031	1,440,931	4,255	1,445,186
Profit/(loss) for the period	-	-	-	-	-	-	29,461	29,461	(67)	29,394
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	3,033	-	3,033	1,010	4,043
Exchange difference arising on translation	-	-	-	-	3,477	-	-	3,477	(9)	3,468
Release of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	899	(1,199)	(300)	300	-
Total comprehensive income for the period	-	-	-	-	3,477	3,932	28,262	35,671	1,234	36,905
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	137	137	(5,489)	(5,352)
At 30 June 2019	34,871	1,023,183	212	11,658	(5,615)	-	412,430	1,476,739	-	1,476,739
(Unaudited)										
At 31 December 2019 and 1 January 2020	34,871	1,023,183	212	11,658	(2,786)	-	426,534	1,493,672	-	1,493,672
Profit for the period	-	-	-	-	-	-	29,191	29,191	-	29,191
Exchange difference arising on translation	-	-	-	-	4,716	-	-	4,716	-	4,716
Total comprehensive income for the period	-	-	-	-	4,716	-	29,191	33,907	-	33,907
At 30 June 2020	34,871	1,023,183	212	11,658	1,930	-	455,725	1,527,579	-	1,527,579



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



For the six months ended 30 June 2020

For the six months ended 30 June

	<b>2020</b> <b>USD'000</b> <b>(Unaudited)</b>	2019 USD'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
<b>Cash (used in)/generated from operations</b>	<b>(31,093)</b>	13,342
Income taxes paid	–	(544)
<b>Net cash (used in)/from Operating Activities</b>	<b>(31,093)</b>	12,798
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(61)</b>	(20)
Purchase of financial assets at fair value through profit or loss classified as non-current assets	<b>(6,809)</b>	(10,548)
Purchase of investments in perpetual notes at fair value through profit or loss	<b>(1,540)</b>	–
Purchase of investments in debt instruments measured at amortised cost	<b>(7,066)</b>	–
Proceeds from disposal of investments in debt instruments measured at amortised cost	<b>7,126</b>	21,060
Proceeds from disposal of financial assets at fair value through other comprehensive income	–	19,610
Proceeds from return of capital of financial assets at fair value through profit or loss	<b>1,175</b>	3,317
Interest received	<b>14,580</b>	10,666
Proceeds from disposal of associates	–	956
Placement of pledged bank deposits	<b>(16,873)</b>	–
Withdrawal of pledged bank deposits	<b>16,873</b>	–
<b>Net cash from Investing Activities</b>	<b>7,405</b>	45,041
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>16,492</b>	–
Repayment of bank borrowings	<b>(16,492)</b>	–
Repayment of other borrowings	–	(13,365)
Repayments of leases liabilities	<b>(135)</b>	(134)
Interest expenses paid	<b>(10)</b>	(208)
Acquisition of additional interest in a subsidiary	–	(5,352)
<b>Net cash used in Financing Activities</b>	<b>(145)</b>	(19,059)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(23,833)</b>	38,780
<b>Cash and cash equivalents at beginning of the period</b>	<b>940,486</b>	887,070
<b>Effect of foreign exchange rate changes</b>	<b>4,046</b>	2,986
<b>Cash and cash equivalents at end of the period, represented by Bank Balances and Cash</b>	<b>920,699</b>	928,836

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied, the Amendments of Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidation financial statements.

### Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the nature of their operations and types of products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

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

### (a) Segment revenue and results

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

#### For the six months ended 30 June 2020 (Unaudited)

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	6,646	443	–	7,089
Dividend and distribution income	5,522	–	–	5,522
Fee and commission income	–	1,534	–	1,534
Rental income	–	–	1,026	1,026
Segment revenue	<u>12,168</u>	<u>1,977</u>	<u>1,026</u>	<u>15,171</u>
Segment results	<u>33,449</u>	<u>453</u>	<u>1,046</u>	<u>34,948</u>
Unallocated corporate income				23
Unallocated corporate expenses				(2,701)
Decrease in fair value of investment properties				(3,079)
Profit before taxation				<u>29,191</u>

#### For the six months ended 30 June 2019 (Unaudited)

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 3. SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities

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

#### At 30 June 2020 (Unaudited)

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
<b>ASSETS</b>				
Segment assets	1,268,439	221,878	73,433	1,563,750
Unallocated corporate assets				32,294
Total assets				1,596,044
<b>LIABILITIES</b>				
Segment liabilities	106	57,628	679	58,413
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				213
Total liabilities				68,465

#### At 31 December 2019 (Audited)

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
<b>ASSETS</b>				
Segment assets	1,258,298	184,163	89,700	1,532,161
Unallocated corporate assets				19,256
Total assets				1,551,417
<b>LIABILITIES</b>				
Segment liabilities	112	45,955	810	46,877
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				1,029
Total liabilities				57,745



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 4. REVENUE

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

	For the six months ended 30 June	
	2020 USD'000 (Unaudited)	2019 USD'000 (Unaudited)
Interest income from financial products	2,254	4,632
Interest income from money lending business	16	7
Interest income from margin financing	427	209
Interest income from financial institutions' term deposits	4,392	4,777
Interest income	7,089	9,625
Dividend and distribution income from financial products	5,522	1,188
Commission income and handling charges from financial services	1,410	970
Asset management fee income	124	211
Fee and commission income	1,534	1,181
Rental income	1,026	1,120
	15,171	13,114

## 5. TAXATION

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

	For the six months ended 30 June	
	2020 USD'000 (Unaudited)	2019 USD'000 (Unaudited)
Hong Kong Profits Tax		
Over-provision in prior year	—	(4)
Taxation for the period	—	(4)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	<b>2020</b> <b>USD'000</b> <b>(Unaudited)</b>	2019 USD'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	<b>322</b>	257
Depreciation of right-of-use assets	<b>133</b>	138
Provision of impairment on non-financial assets:		
– Asset held for sale	–	4,327
Exchange loss, net, included in other loss	<b>2,870</b>	2,347
Interest income from bank deposits, included in other income	<b>(6,549)</b>	(7,873)

## 7. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2019 and 2020 nor has any dividend been declared or proposed since the end of the reporting period.

## 8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	<b>2020</b> <b>USD'000</b> <b>(Unaudited)</b>	2019 USD'000 (Unaudited)
Profit for the period attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<b>29,191</b>	29,461
	Number of shares	
	<b>2020</b>	2019
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>27,048,844,786</b>	27,048,844,786



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired furniture, fixture and equipment at a total cost of USD61,000 (the six months ended 30 June 2019: USD19,000). In addition, certain investment property with the carrying value amounting to USD13,568,000 was transferred to property, plant and equipment due to change in use to owner-occupation of the relevant property.

## 10. INVESTMENT PROPERTIES

	USD'000
At fair value	
At 1 January 2019 (Audited)	94,095
Fair value change during the year	(5,131)
Exchange realignments	543
At 31 December 2019 and 1 January 2020 (Audited)	89,507
Fair value change during the period	(3,079)
Transferred to property, plant and equipment (Note 9)	(13,568)
Exchange realignments	401
At 30 June 2020 (Unaudited)	73,261

The investment properties comprise commercial office units and car park spaces situated in a commercial building in Hong Kong. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 30 June 2020 has been arrived at on the basis of a valuation carried out by Roma Appraisals Limited (31 December 2019: Valtech Valuation Advisory Limited), independent qualified professional valuers not connected to the Group.

Both Roma Appraisals Limited and Valtech Valuation Advisory Limited have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, timing, location and condition of the properties under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 11. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS IN PERPETUAL NOTES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 USD'000 (Unaudited)	31 December 2019 USD'000 (Audited)
<b>Investments in debt instruments measured at amortised cost</b>		
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	75,930	76,067
Floating Rate Senior Notes (Notes a, b, e)	31,951	32,065
Less: Expected credit losses	(332)	(121)
	<b>107,549</b>	108,011
Less: Investments in debt instruments measured at amortised cost classified as current assets	<b>(22,062)</b>	(11,447)
Investments in debt instruments measured at amortised cost classified as non-current assets	<b>85,487</b>	96,564
<b>Financial assets at fair value through profit or loss classified as non-current assets</b>		
Unlisted security investments (Note f)	<b>235,345</b>	223,135
<b>Investments in perpetual notes at fair value through profit or loss</b>		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	<b>57,657</b>	58,471
<b>Financial assets at fair value through profit or loss classified as current assets</b>		
Hong Kong listed equity securities (Note g)	<b>49,250</b>	36,842

Notes:

- (a) The Group's investments in debt instruments measured at amortised cost mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay, etc.).
- (b) During the six months ended 30 June 2020, one of the Fixed Rate Senior Notes was partially sold, two of the Fixed Rate Senior Notes were matured and one of the Fixed Rate Senior Notes was offered repurchase by the issuer prior to the maturity and was accepted by the Group. The net gain on disposal including early repurchase of investments in debt instruments measured at amortised cost was USD51,000. During the six months ended 30 June 2019, one of the Fixed Rate Senior Notes were redeemed and one of the Fixed Rate Senior Notes were matured. The gain on disposal including redemption of investments in debt instruments measured at amortised cost was USD44,000.
- (c) Senior Notes held by the Group bear a fixed coupon interest of ranging from 2.375% to 7.95% (31 December 2019: from 2.375% to 7.5%) per annum and with maturity dates from 17 October 2020 to 13 November 2024 (31 December 2019: from 24 January 2020 to 13 November 2024).
- (d) Perpetual Notes held by the Group bear a floating rate of ranging from 4.5% to 7.625% (31 December 2019: from 4.5% to 7.625%) per annum and are callable from 30 March 2021 to 16 May 2025 (31 December 2019: from 30 March 2021 to 16 May 2025). The interest rate is subject to change at reset day with reset rate ranging from 2.648% to 7.773% (31 December 2019: from 2.648% to 7.773%) plus mid-market swap rate or USD 5 years mid-swap rate or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or 3 months USD LIBOR or semi-annual USD 5 years mid-swap rate.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 11. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS IN PERPETUAL NOTES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

- (e) Senior Notes held by the Group bear a floating rate of ranging from 3.887% to 5% (31 December 2019: from 3.887% to 5%) per annum and with maturity dates from 10 August 2021 to 9 November 2047 (31 December 2019: from 10 August 2021 to 9 November 2047). The interest rate is subject to change at reset day with reset rate ranging from 1.400% to 3.472% (31 December 2019: from 1.400% to 3.472%) plus 3 months USD LIBOR or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or USD 5 years mid-swap rate.
- (f) As at 30 June 2020, the unlisted security investments classified as financial assets at fair value through profit or loss ("financial assets at FVTPL") include unlisted investment funds, an unlisted debt investment and an unlisted equity investment with carrying value of USD151,638,000, USD33,697,000 and USD50,010,000 (31 December 2019: USD141,097,000, USD34,646,000 and USD47,392,000), respectively. In accounting for the fair value measurement of the investment in unlisted investment funds, the management of the Group has determined that the reported net asset value of the unlisted investment funds provided by the general partners represented the fair value of the unlisted investment funds. The management of the Group valued the fair value of the investments held in the investment funds pursuant to the reported net asset values without adjustment. 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 investment funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of judgment. The underlying investments held by the investment funds were valued using transaction prices or latest finance price without adjustment.

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

As at 30 June 2020, three (31 December 2019: three) out of these five (31 December 2019: five) unlisted security investments accounted for 93% (31 December 2019: 95%) of the aggregate carrying value, with the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry and healthcare industry.

During the six months ended 30 June 2020, an increase in fair value of USD6,576,000 (six months ended 30 June 2019: USD8,520,000) was recognised in the profit or loss. During the six months ended 30 June 2020, the Group received returns of capital of USD1,175,000 (six months ended 30 June 2019: USD2,428,000) and plus distribution of USD1,600,000 (six months ended 30 June 2019: USD74,000) from one (six months ended 30 June 2019: one) of its unlisted securities investments.

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

As at 30 June 2020, the fair value of one of the financial assets at FVTPL, being shares suspended from trading, was estimated at nil (31 December 2019: nil). As at 31 December 2019, as there was an absence of quoted prices for the shares which were suspended from trading, the fair value was determined by valuation conducted by an independent valuer. The fair value was estimated based on the latest publicly available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer. The independent valuer conducted researches and estimated the liquidation value of the investee group, taking into account the prolonged duration of the suspension from trading of shares. The fair value of the investee group is assessed as nil as at 31 December 2019. As at 30 June 2020, the shares remain suspended for trading, and the management considered that the fair value was remained as nil.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 12. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	<b>30 June 2020 USD'000 (Unaudited)</b>	31 December 2019 USD'000 (Audited)
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	<b>9,881</b>	2,972
Clearing house and brokers	<b>811</b>	1,626
Clients for subscription of new shares in initial public offerings	<b>26,546</b>	–
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	<b>779</b>	512
Accounts receivables (Note a)	<b>38,017</b>	5,110
Other receivables and deposits (Note d)	<b>6,928</b>	8,125
Less: Impairment allowance (Note c)	<b>(29)</b>	(18)
	<b>44,916</b>	13,217
Less: Other receivables and deposits classified as non-current assets	<b>(796)</b>	(793)
Accounts and other receivables classified as current assets	<b>44,120</b>	12,424

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. Accounts receivable from clients arising from financing of initial public offerings (“IPO”) subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of these businesses.
- (b) Majority of the accounts receivables form clients are secured by clients’ securities as collaterals with fair value of USD68,385,000 (31 December 2019: USD31,267,000). 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 11.25% (31 December 2019: 3% to 11.25%) per annum as at 30 June 2020. The collateral held can be sold at the Group’s discretion to settle any outstanding amount owed by customers. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of the business.

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

As part of the Group’s credit risk management, the Group applied internal credit rating for its customers and considered the fair value of its collateral. The Group assessed the ECL for accounts receivables from clients individually as at 31 December 2019 and 30 June 2020.

The Group held collateral of listed equity securities with a fair value of USD68,385,000 (31 December 2019: USD31,267,000) at the end of the reporting period in respect of accounts receivables from clients. No impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD5,397,000 (31 December 2019: USD2,627,000) based on the Group’s impairment assessment with ECL model.

- (d) Included in other receivables and deposits are interest receivables and sundry deposits amounting to USD4,909,000 and USD1,025,000 (31 December 2019: USD5,805,000 and USD1,210,000), respectively.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 13. BANK TRUST ACCOUNTS BALANCES

The Group maintains segregated trust accounts with licensed financial institutions to hold clients' monies arising from the business of dealing in securities and futures contracts. The Group has classified the clients' monies as cash held on behalf of customers under the current assets of the condensed consolidated statement of financial position and recognised the corresponding accounts payables to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

## 14. ACCOUNTS AND OTHER PAYABLES

	<b>30 June 2020 USD'000 (Unaudited)</b>	31 December 2019 USD'000 (Audited)
Accounts payables from the business of dealing in securities:		
Clients	<b>54,263</b>	43,478
Clearing house and brokers	<b>883</b>	3
Accounts payables from the business of dealing in futures contracts:		
Clients	<b>1,490</b>	1,329
Accounts payables (Note a)	<b>56,636</b>	44,810
Other payables (Note b)	<b>11,399</b>	12,371
	<b>68,035</b>	57,181

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, an ageing analysis does not give additional value in view of the nature of these businesses.
- (b) As at 30 June 2020, included in other payables are USD9,839,000 (31 December 2019: USD9,839,000) relating to the liabilities arising from the disposal of mining business during the year ended 31 December 2016.

## 15. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2019 (Audited), 30 June 2019 (Unaudited), 31 December 2019 (Audited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	<b>60,000,000,000</b>	<b>76,923</b>
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2019 (Audited), 30 June 2019 (Unaudited), 31 December 2019 (Audited), 1 January 2020 (Audited) and 30 June 2020 (Unaudited)	<b>27,048,844,786</b>	<b>34,871</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 16. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme was adopted pursuant to a resolution passed by the shareholders of the Company on 18 June 2014 (the "2014 Scheme") which was expired on 17 June 2024, for the purpose of providing incentives or rewards to directors, employees, customers, suppliers, providers of research, development or technical support, shareholders and holders of securities of the Group and its invested entities, in which the Group holds not less than 10% equity interest ("Eligible Participants"). Under the 2014 Scheme, the Board of Directors may grant options to Eligible Participants to subscribe for shares in the Company.

Share-based payment was recognised over the vesting period based on the management's estimation of the timing when the vesting conditions are met. No share option was granted under the 2014 Scheme during the six months ended 30 June 2020 and 30 June 2019.

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets is measured at fair value on a recurring basis:

- the fair value of Hong Kong listed equity securities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; except for the shares which was suspended from trading, as at 31 December 2019, the fair value was estimated based on the latest public available financial information of the issuer including the unaudited net asset values of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer, as at 30 June 2020, the shares remain suspended for trading, and the management considered that the fair value was remained as nil, more details are stated in note 11;
- the fair value of variable rate Perpetual Notes is determined based on the quoted price from the financial institution supported by observable inputs; and
- the fair value of unlisted managed investment funds and unlisted other security investment is based on fair value of quoted prices in the open market or observable prices or using valuation techniques, more details are stated in note 11.

The fair value of financial assets and financial liabilities are not measured at fair value on a recurring basis:

- the fair value of other financial assets and financial liabilities (excluding financial assets at FVTPL) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### Fair value measurements recognised in the condensed consolidated statement of financial position

There is no transfer among Level 1, 2 and 3 during both periods. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the input to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
<b>At 30 June 2020 (Unaudited)</b>				
<b>Financial assets</b>				
Unlisted other security investments (classified as financial assets at FVTPL) (Note a)	–	–	235,345	235,345
Hong Kong listed equity securities (classified as financial assets at FVTPL) (Note b)	49,250	–	–	49,250
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL) (Note c)	–	57,657	–	57,657
<b>Sub-total</b>	<b>49,250</b>	<b>57,657</b>	<b>235,345</b>	<b>342,252</b>
<b>At 31 December 2019 (Audited)</b>				
<b>Financial assets</b>				
Unlisted other security investments (classified as financial assets at FVTPL) (Note a)	–	–	223,135	223,135
Hong Kong listed equity securities (classified as financial assets at FVTPL) (Note b)	36,842	–	–	36,842
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL) (Note c)	–	58,471	–	58,471
<b>Sub-total</b>	<b>36,842</b>	<b>58,471</b>	<b>223,135</b>	<b>318,448</b>

Notes:

- (a) The fair value of unlisted security investments classified as financial assets at FVTPL include unlisted investment funds, an unlisted debt investment and an unlisted equity investment. In accounting for the fair value measurement of the investment in unlisted investment funds, the management of the Group has determined that the reported net asset value of unlisted investment funds provided by the general partners represent the fair value of the unlisted investment funds. The management of the Group valued the fair value of the investments held in the investment funds pursuant to the reported net asset values without adjustment. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of the judgment. The underlying investments held by the investment funds were valued using transaction prices or latest finance price without adjustment. The higher the latest financing price, the higher the fair value of the unlisted investment funds. The fair value of the unlisted debt investment and unlisted equity investment is determined based on the valuation conducted by an independent valuer utilised the market approach and the valuation method by using the Enterprise Value Multiples Methodology, adjusted for consideration of discount of lack of marketability with equity allocation method. The lower the discount rate, the higher the fair value of the unlisted debt investment and the unlisted equity investment.

The details of the valuation techniques and key inputs are set out in note 11 to the condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### Fair value measurements recognised in the condensed consolidated statement of financial position (continued)

Notes: (continued)

- (b) The fair value of Hong Kong listed equity securities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; except for the shares which were suspended from trading, the fair value was estimated based on the latest public available financial information of the issuer including the unaudited net asset valuers of the investee group and applied asset-based approach determined by valuation conducted by an independent valuer, as at 30 June 2020, the shares remain suspended for trading, and the management considered that the fair value was remained as nil, more details are stated in note 11.
- (c) The fair value of variable rate Perpetual Notes included in investments in perpetual notes at FVTPL is determined based on the quoted price from the financial institutions supported by observable inputs.

### Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted other security investments (classified as financial assets at FVTPL) USD'000	Hong Kong listed equity securities (classified as financial assets at FVTPL) USD'000
At 1 January 2019 (Audited)	159,723	7,138
Purchases	52,762	–
Return on capital	(7,972)	–
Gain/(loss) recognised in		
– profit or loss	18,622	(7,137)
– other comprehensive income (Note)	–	(1)
At 31 December 2019 and 1 January 2020 (Audited)	223,135	–
Purchases	6,809	–
Return on capital	(1,175)	–
Gain recognised in		
– profit or loss	6,576	–
At 30 June 2020 (Unaudited)	235,345	–

Note: The gain or loss included in other comprehensive income for the year are related to the Hong Kong listed equity securities which were suspended from trading held at the end of the reporting period and reported as changes of “exchange reserve”.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2020

## 18. OPERATING LEASES

### The Group as lessor

During the six months ended 30 June 2020, the Group had property rental income of approximately USD1,026,000 (the six months ended 30 June 2019: USD1,120,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>At 30 June 2020 USD'000 (Unaudited)</b>	At 31 December 2019 USD'000 (Audited)
Within one year	<b>1,676</b>	1,817
In the second to fifth year inclusive	<b>385</b>	1,384
	<b>2,061</b>	3,201

## 19. OTHER COMMITMENTS

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

	<b>At 30 June 2020 USD'000 (Unaudited)</b>	At 31 December 2019 USD'000 (Audited)
Other commitments contracted for but not provided for in the condensed consolidated financial statements in respect of capital contribution in unlisted security investments which are recognised as financial assets at FVTPL	<b>104,311</b>	109,945

## 20. RELATED PARTY DISCLOSURES

### Key management personnel compensation

	For the six months ended 30 June	
	<b>2020 USD'000 (Unaudited)</b>	2019 USD'000 (Unaudited)
Short-term benefits	<b>544</b>	230
Post-employment benefits	<b>2</b>	2
	<b>546</b>	232

## 21. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of Coronavirus Disease ("COVID-19") has impact on the global business environment. Up to the date of these financial results, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.