



For the six months ended 30 June 2021  
*(Incorporated in Bermuda with limited liability)*

Stock Code: 1051



**2021** INTERIM  
FINANCIAL  
REPORT





# 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

*Registered Public Interest Entity Auditors*

## LEGAL ADVISORS

Hong Kong: Fangda Partners

Bermuda: Ocorian Law (Bermuda) Limited

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited

Shanghai Pudong Development Bank Co., Ltd.

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Citibank, N.A.

## 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 53**

was appointed as a chairperson of the Company and non-executive director of the Company (“Director(s)”) 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 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 47**

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 of Hong Kong Limited (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 39**

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 eighteen 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 50**

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, 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) and Sun Hing Vision Group Holdings 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 51**

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. Mr Chen is the founder and managing director of DoubleOcean Financial Group, a financial advisory company that facilitates the cross-border investments between North America and China. He had also 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. Mr Chen was an independent director of Evermount Ventures Inc. (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), a director and chief financial officer of Nextraction Energy Corp. (whose shares are listed on TSX Venture Exchange NEX), an independent director of Newmac Resources Inc. (whose shares are listed on TSX Venture Exchange) and an independent director of Ord Mountain Resources Corp. (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 Certified Public Accountant (CPA) in the United States.

### **Martin Que Meideng, aged 60**

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 and 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 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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



## SENIOR MANAGEMENT

### **John Lawrence Sigerson, aged 50**

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 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, the United Kingdom in 1992 with a bachelor’s degree in Theoretical Physics.

### **Chan Chun Fung, aged 37**

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 47**

is a director of various subsidiaries of the Company. He is a co-founder of Enhanced Securities Limited (“ESL”). Mr Lau has over twenty years of experience in the financial services industry. He had held different positions in ESL. 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 and Enhanced Investment Management Limited. 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	
	2021 USD'000	2020 USD'000
Revenue	52,303	15,171
Other income	658	6,607
Administrative expenses	(5,717)	(4,863)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	14,782	18,406
Decrease in fair value of investment properties	(1,701)	(3,079)
Other gain/(loss)	718	(2,870)
EBITDA	61,677	29,656
Profit before taxation (Note)	61,224	29,191
Profit for the period	61,222	29,191
<b>Analysis of external revenue by operating segment:</b>		
(i) Financial Services Business	5,328	1,977
(ii) Principal Investment Business	46,053	12,168
(iii) Real Property Business	922	1,026
<b>Analysis of profit before taxation by operating segment:</b>		
(i) Financial Services Business	2,782	453
(ii) Principal Investment Business	60,271	33,449
(iii) Real Property Business	937	1,046

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

For the six months ended 30 June 2021, the Group achieved a net profit after tax of USD61.2 million (the six months ended 30 June 2020: USD29.2 million). The main reason for the increase in net profit after tax by USD32.0 million as compared to the six months ended 30 June 2020 was due to the combined effect of the following: (i) an increase in revenue by USD37.1 million; (ii) drop in the increase in fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss ("FVTPL") by USD3.6 million; (iii) a drop in fair value loss of investment properties by USD1.4 million; (iv) a change from other loss of USD2.9 million to other gain of USD0.7 million; and (v) a decrease in other income by USD5.9 million.

Revenue was USD52.3 million (the six months ended 30 June 2020: USD15.2 million), mainly generated by the dividend and distribution income as well as interest income from financial products; interest income from financial institutions and margin financing; commission income and handling charges from financial services; as well as rental income. The increase in revenue was mainly due to (i) an increase in commission income and handling charges from financial services and interest income from margin financing by USD3.4 million; and (ii) a significant net increase in dividend and distribution income and interest income from financial products under principal investment business by USD37.6 million, which was mainly attributable to distribution income received from our unlisted investments. However, the effect was partially offset by a slight decrease in interest income by USD3.7 million from financial institutions.

Other income was USD0.7 million (the six months ended 30 June 2020: USD6.6 million) for the period mainly comprises interest income generated from fixed income investment, amounted to USD0.5 million (the six months ended 30 June 2020: USD6.5 million).



Decrease in fair value of the investment properties dropped by USD1.4 million due to a deceleration in the decline in prices of Hong Kong housing and commercial properties in 2021. The recognition of exchange gain of USD0.7 million was mainly due to the change in exchange rate for the period end balance for the six months ended 30 June 2021. The increase in fair value changes of financial assets and investments in perpetual notes at FVTPL was mainly due to the net increase in fair value of the listed shares, listed bonds and unlisted investments which were mainly acquired in previous years.

Administrative expenses were USD5.7 million for the six months ended 30 June 2021, a slight increase of USD0.8 million as compared with USD4.9 million for the six months ended 30 June 2020. Such increase was mainly due to the expansion of business to support the trading volume growth and business development 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 different fixed income investment portfolios as part of its assets allocation plan, including the selection of fixed income assets and the vehicles the Group uses to access them.

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

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

## Segment analysis

### (i) Financial Services Business

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

In the first half of 2021, the Group continued to make satisfactory progress in implementing the transformation plan for our margin financing which was adopted in 2019. Following the momentum in 2020, the Group has noted growth in three of our key financial services areas, namely, margin financing, initial public offerings ("IPO") margin financing, and underwriting services. In particular, the Group benefited from the tremendous efforts put in our original margin financing business and the addition of IPO margin financing business, through our experienced management team, well established securities trading infrastructure, strong client loyalty and multiple sales channels. The Group believes that it has developed and maintained a niche in the margin financing market to serve corporate and retail clients in meeting their corporate goals and personal needs by building on our renowned reputation in delivering professional and personalised financial services. The Group also continued with its underwriting exercises during the period. The Group will continue to actively identify business opportunities, expand into more business lines and provide greater variety of financial services to our investors.



# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, revenue generated from the financial services business mainly consists of (i) commission income and handling charges from financial services; (ii) interest income from margin financing; and (iii) asset management fee income.

The profit before taxation was USD2.8 million (the six months ended 30 June 2020: USD0.5 million), which was mainly due to the increase in commission income and handling charges from financial services, interest income from margin financing, and was partially offset by the decrease in other income for the period.

## *Commission income and handling charges*

During the six months ended 30 June 2021, the commission income and handling charges from financial services were USD2.7 million (the six months ended 30 June 2020: USD1.4 million). The increase of the commission income and handling charges was mainly due to an increase in trading volume derived from new clients' acquisition and business from underwriting services, and the handling charges from providing margin financing and IPO margin financing services.

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

For the six months ended 30 June 2021, the interest income from margin financing was USD2.5 million (the six months ended 30 June 2020: USD0.4 million), which increased by USD2.1 million compared to the six months ended 30 June 2020. Such increase was due to the satisfactory progress of the transformation plan and the continued strengthening of our margin financing and IPO margin financing businesses. The accounts receivables from clients increased tremendously to USD254.9 million (as at 31 December 2020: USD15.9 million) which included the subscription of new shares in IPOs under the business of dealing in securities as at 30 June 2021 which was USD235.4 million (as at 31 December 2020: nil). The Group spent tremendous efforts to promote the margin financing and IPO margin financing businesses during the period, 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 our brand name through different marketing campaigns. During the period, over 290,000 clients made IPO margin financing subscription through multiple business channels. The Group provided IPO margin financing for 45 IPO stocks and the total IPO subscription amount for such stocks was over USD3 billion.

Adhering to the transformation plan, the Group ceased to provide unsecured loan which is considered to be of higher credit risk, and accentuated our secured and mortgaged loans business since 2019 which are backed by collateral with a comparatively lower credit risk. The Group has assessed the clients' risk profiles according to its internal credit control procedures and remains sensitive in minimising the credit risk that they are exposed to and is persistent in following its approach in developing the money lending business to achieve a risk-gain balance. The Group had no bad debts during the period.

## (ii) Principal Investment Business

During the six months ended 30 June 2021, the Group invested USD115.0 million in unlisted financial assets, which was mainly payment for a commitment of the unlisted investment funds, and acquisition of the unlisted investment funds, unlisted equity investments and convertible notes. During the six months ended 30 June 2021, the Group (i) invested USD2.1 million in listed bonds; (ii) had a net increase in listed shares of USD37.5 million; and (iii) disposed, accepted early repurchase and maturity of listed bonds of USD18.3 million. Other than the abovementioned reasons, the net increase of USD146.4 million in non-cash financial assets was primarily due to the net effect of return of capital from the unlisted investments, and the net realised and unrealised fair value gain on the listed shares, listed bonds and unlisted investments mainly acquired in previous years.

The profit before taxation was USD60.3 million which mainly included interest income and dividend and distribution income from the financial assets of USD46.4 million, fair value changes of financial assets and investments in perpetual notes at FVTPL of USD14.8 million, which was partially offset by (i) exchange loss of USD0.5 million; and (ii) administrative expenses of USD0.6 million.

# MANAGEMENT DISCUSSION AND ANALYSIS



As at 30 June 2021, the Group held USD627.9 million non-cash financial assets, as follows:

	<b>30 June 2021 USD'000</b>	31 December 2020 USD'000
Listed shares	<b>69,505</b>	38,220
Listed bonds	<b>142,459</b>	159,033
Unlisted investment funds	<b>382,907</b>	284,167
Unlisted equity investments	<b>15,980</b>	–
Convertible notes	<b>17,000</b>	–
Total	<b>627,851</b>	481,420

## *Significant Investments*

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

The Group held limited partner interest of Genesis Fund as an unlisted investment fund since April 2017. The diversified investment portfolio of the Genesis Fund operates in the form of a limited partnership, focusing on underlying investment opportunities in China which aligns with the theme of “Information Technology Improves Efficiency”. Based on this idea, Genesis Fund’s investment profile yields returns from investing in a wide range of equity and equity-related securities of growth and late-stage technology entities or business-to-business and business to consumer commerce such as software-as-a-service companies and e-commerce platforms. The Group’s capital commitment to Genesis Fund accounts for 17.8% of total partners’ capital commitment as at 30 June 2021. The fair value of the investment as at 30 June 2021 was USD164.2 million, which accounted for 9.8% of the total assets of the Group as at 30 June 2021. The investment cost of Genesis Fund was USD73.3 million (31 December 2020: USD76.1 million). The decrease in investment cost was mainly due to return of capital.

Genesis Fund has achieved income generation and seen capital appreciation during the four years’ time since our investment in April 2017. For the six months ended 30 June 2021, the realised and unrealised gains of the investment were USD5.4 million and USD26.5 million, respectively. Moving forward, the Group is optimistic about the potential of this investment. According to China’s National Bureau of Statistics, China’s gross domestic product (“GDP”) expanded 12.7% year-on-year in the first half of 2021 as recovery continues to firm. For the six months ended 30 June 2021, China’s per capita disposable income increased 12.6% year-on-year in nominal terms to 17,642 yuan (equivalent to approximately USD2,731), and kept pace with the increase in GDP. Therefore, 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. We believe business fundamentals of our portfolio companies under Genesis Fund remain strong. Being a limited partner of Genesis Fund, based on the proven track record, the Group believes that by leveraging the strategic and extensive resources available and extensive experience in investment and fund operation in the technology, media and telecommunications industry possessed by Genesis Fund’s management team, the investment will continue to bring about valuable investment opportunities and increasing financial returns.

Except for the investment disclosed above, there was no other single investment (for example, financial assets at FVTPL and investments in debt instruments measured at amortised cost) in the Group’s diversified investment portfolio that was considered a significant investment, given that none of the investments had a carrying amount accounting for more than 5% of the Group’s total assets as at 30 June 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (iii) Real Property Business

The Group has three floors of commercial office (including 17th, 18th and 19th floor) and ten car parks located in Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. The commercial offices are used by our head office and subsidiaries and leased to third parties for office use under a lease of not more than three years. The rental income earned and the profit before taxation were USD0.9 million and USD0.9 million (the six months ended 30 June 2020: USD1.0 million and USD1.0 million) for the period, respectively, which were relatively stable as compared to the same period in 2020. The slight decrease in rental income was due to one of the leased commercial offices being used for own consumption by our subsidiaries during the period.

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

## Review of Group Financial Position

	30 June 2021 USD'000	31 December 2020 USD'000
Current Assets		
Bank balances and cash	643,099	964,665
Financial assets at FVTPL	101,625	29,869
Investments in debt instruments measured at amortised cost	37,093	40,526
Accounts and other receivables	263,843	24,503
Others	33,868	44,090
Non-current Assets		
Financial assets at FVTPL	383,767	292,518
Investments in debt instruments measured at amortised cost	49,977	59,364
Investments in perpetual notes at FVTPL	55,389	59,143
Investment properties	63,087	64,899
Others	51,562	51,784
Total Assets	1,683,310	1,631,361
Other Liabilities	(50,324)	(60,052)
Net Assets	1,632,986	1,571,309

Non-current assets were USD603.8 million (31 December 2020: USD527.7 million), representing an increase of USD76.1 million. It was mainly due to the net increase in investment in financial assets at FVTPL of USD91.2 million, which was partially offset by (i) the reclassification of investments in debt instruments measured at amortised costs from non-current assets to current assets of USD8.2 million; (ii) a decrease in investments in perpetual notes at FVTPL of USD3.8 million; and (iii) a decrease in fair value of investment properties of USD1.7 million. Current assets were USD1,079.5 million (31 December 2020: USD1,103.7 million), representing a decrease by USD24.2 million, which was mainly due to net decrease in bank balances and cash of USD321.6 million; which was partially offset by an increase in accounts and other receivables of USD239.3 million.



## Net Asset Value

As at 30 June 2021, the Group's net assets amounted to USD1,633.0 million, representing an increase of USD61.7 million as compared to USD1,571.3 million as at 31 December 2020. The increase in net assets was mainly due to the profit for the period of USD61.2 million.

## Cash Flow, Liquidity and Financial Resources

### Cash Flow Summary

	For the six months ended 30 June	
	2021 USD'000	2020 USD'000
Net cash used in Operating Activities	(233,515)	(31,093)
Net cash (used in)/from Investing Activities	(88,374)	7,405
Net cash from/(used in) Financing Activities	1,774	(145)
Net decrease in cash and cash equivalents	(320,115)	(23,833)
Cash and cash equivalents at beginning of the period	964,665	940,486
Effect of foreign exchange rate changes	(1,451)	4,046
Cash and cash equivalents at end of the period	643,099	920,699

The Group's cash balance as at 30 June 2021 was USD643.1 million (31 December 2020: USD964.7 million). The net cash used in operating activities for the six months ended 30 June 2021 of USD233.5 million was mainly contributed to the working capital of operations. Net cash used in investing activities was USD88.4 million mainly included net outflows of investments of USD94.4 million which was partially offset by USD6.1 million from interest received. Net cash from financing activities was USD1.8 million mainly from the advances and proceeds received from non-controlling interests.

The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 30 June 2021 and 31 December 2020. The Group had no outstanding bank borrowings as at 30 June 2021.

## Capital Structure of the Group

The capital structure of the Group has not changed materially since 31 December 2020, being the end of the reporting period of the Group's annual report.

## Material Acquisitions and Disposals

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



# MANAGEMENT DISCUSSION AND ANALYSIS

On 23 June 2021, Smart Blooming Limited (“Smart Blooming”), an indirect wholly-owned subsidiary of the Company, and Lavender Hill Capital GP I Limited, as general partner (the “General Partner”) entered into a subscription agreement (the “Subscription Agreement”) to subscribe for the limited partner interest in Lavender Hill Capital Partners Fund I, L.P. (the “Fund”) as a limited partner for a capital commitment of USD20 million (equivalent to approximately HKD155.2 million), representing 13.3% of the total capital commitment to the Fund as at 23 June 2021. Simultaneously with the entering into of the Subscription Agreement, Smart Blooming entered into a limited partnership agreement with the General Partner and Lavender Hill Capital Partners ILP I, L.P., as Investment Limited Partner, to govern their relationship and provide for (among other things) the manner of operation and management of the Fund.

The General Partner is an exempted company incorporated in Cayman Islands with limited liability and is wholly-owned by Ms. Zhang Xiaoyin (“Ms. Zhang”). Ms. Zhang founded Lavender Hill Capital Partners Limited, an affiliate and the adviser of the General Partner in 2018, which focuses on growth stage, technology and technology-enabled companies investment. Prior to founding Lavender Hill Capital Partners Limited, Ms. Zhang worked at Goldman Sachs from 2002 to 2017 and was a partner and the Head of China Technology, Media and Telecom (“TMT”) Investment Banking. During her tenure at Goldman Sachs, she started developing the internet business franchise sector in China for Goldman Sachs in 2003, focusing on investing in growth stage TMT companies and has extensive network in the entrepreneurs and venture capital investors since 2000.

The Fund is mandated to make equity investments in companies with significant operations in, expansion potential into, strong affiliation with, or having strategic importance to businesses in Greater China, with a primary focus on companies in technology or technology-enabled consumer, media and entertainment, healthcare services, financial services, internet infrastructure and enterprise sectors, with a view to generate capital appreciation. As at 30 June 2021, the Fund has invested in two portfolio companies including (i) a leading business-to-customer provider of domestic services such as household cleaning, domestic chef and new-born baby nannies for mid-to-high end households in China; and (ii) the largest cross-border business-to-business payment company in terms of cross-border payment volume for China’s small and medium-sized enterprises exports.

The Group is optimistic about the prospects of this investment. Rapid development in technology in China have played a vital role in transforming the business models and reshaping market landscapes in various industries. Against this background, it is expected that attractive investment opportunities in China will emerge from technology, healthcare and internet sectors. Leveraging on Ms. Zhang’s expertise and her experience and network in the TMT sector, the Fund made two solid investments in those sectors and believes that the General Partner will be advantageous in sourcing and executing valuable future TMT investments in Greater China, thereby creating financial returns for the limited partners of the Fund while diversifying the Group’s investment portfolio.

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

## Exposure to Fluctuations in Exchange Rates and Related Hedge

The Group conducted most of its business in United States dollars (“USD”) and Hong Kong dollars (“HKD”). The foreign currency exposure of HKD to USD is minimal as HKD is pegged to USD.

The management will continue to monitor the Group’s foreign currency exposure and consider other hedging policies should the need arise.

## Pledge of Assets

As at 30 June 2021, no assets of the Group had been pledged.



## Business Outlook

Leveraging on our existing solid capital base, we actively optimised resources allocation and maintained our conservative and diligent investment philosophy. We believe that this strategy enables us to remain cautious in view of the uncertainties under the current economic environment, whilst maximise return and value on the Group's business and financial performance in the second half of 2021.

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

Riding on the recovery of the Hong Kong IPO market in the second half of 2020, the Group tapped into the IPO margin financing business and continued to place great efforts in promoting and expanding such business through various channels, including existing clients, brokerage firms and its network of account executives and the Group's interest income and related handling charge deriving from IPO margin financing experienced drastic growth.

The active Hong Kong securities market has also benefited our securities trading and brokerage business which yielded positive results with a satisfactory growth as compared to the same period in 2020. Given the large-scale listing of new economic stocks and the continual wave of flock back of US-listed Chinese companies to Hong Kong for primary and secondary listings, the Group believes that we can continue to seize opportunities in the IPO market and gain the benefit to offer IPO margin financing services in accommodating the investors preferences and their enthusiasm about IPO subscriptions and investment of new economic stocks. The Group will continue to build on its existing promotion strategies through the use of its multiple channels, including advertisements and marketing campaigns, as well as other brand building and brand awareness activities, and incentive measures to further strengthen its IPO margin financing business and leverage the activeness of the Hong Kong securities market to enhance our client coverage on the securities trading and brokerage business. The Group will closely monitor securities market developments, in particular IPOs and actively review all of its implemented strategies to maximise benefits arising from such market.

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

The Group will also continue to explore other possibilities in expanding our client high-quality base and strengthen our relationship with major institutional clients by offering more comprehensive and tailor-made financial products and services. Corporate finance advisory service is one of the areas which the Group aims to expand in the second half of 2021. The Group will provide general corporate financial advisory services in relation to IPO including placing, rights issue, corporate restructuring and merger and acquisition. The Group will also continue to participate in underwriting services as well as other related services including placing when suitable opportunities arise.

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

**Principal investment business.** The Group's investment portfolio consists of a combination of diversified investment in funds, bonds and equity investments (including listed or unlisted). In the second half of 2021, the Group will continue to review its investment portfolio. Where its investment team considers that suitable opportunities arise which are very beneficial to the Group and can elevate the Group's overall profitability and returns, the Group may invest in such investment products.



# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## Human Resources

As at 30 June 2021, the Group had 67 employees in Hong Kong. Employees are remunerated at a competitive level and rewarded according to their performance. The Group's remuneration packages include a medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

## Significant Events

### Capital Reorganisation and Change in Board Lot Size

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

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

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

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



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

As at 30 June 2021, none of the Directors and executive officers of the Company (the "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 2021, 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	127,939,100 (L)	28.38%	2
PX Global Advisors, LLC	Interest of a controlled corporation	127,939,100 (L)	28.38%	2
PX Capital Management Ltd.	Interest of a controlled corporation	127,939,100 (L)	28.38%	2
PX Capital Partners L.P.	Beneficial owner	127,939,100 (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 2021.



## 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 2021, the total number of shares of the Company issuable pursuant to the 2014 Share Option Scheme on the date of its adoption was 22,540,703 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 2021, 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 2021 (no interim dividend was proposed or paid for 2020).

### 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 2021.

# 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 2021.

## Audit Committee

The Audit Committee of the Company (the "Audit Committee"), with terms of reference in compliance with the provisions set out in the Corporate Governance Code, comprises three members who were all independent non-executive Directors for the six months ended 30 June 2021. 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 2021 has been reviewed by the Audit Committee.

By Order of the Board

**Li Zhongye, Cindy**

*Chairperson*

Hong Kong, 27 August 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		USD'000	USD'000
		(Unaudited)	(Unaudited)
	NOTES		
Revenue			
Interest income	4	5,269	7,089
Dividend and distribution income	4	43,294	5,522
Fee and commission income	4	2,818	1,534
Rental income	4	922	1,026
		<b>52,303</b>	15,171
Other income		658	6,607
Administrative expenses		(5,717)	(4,863)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss		14,782	18,406
Net (loss)/gain on disposal of investments in debt instruments measured at amortised cost		(1)	51
Decrease in fair value of investment properties		(1,701)	(3,079)
Reversal of/(provision for) expected credit losses on financial assets, net		184	(222)
Other gain/(loss)		718	(2,870)
Finance cost		(2)	(10)
Profit before taxation		61,224	29,191
Taxation	5	(2)	–
Profit for the period	6	61,222	29,191
Profit/(loss) for the period attributable to:			
Owners of the Company		61,256	29,191
Non-controlling interests		(34)	–
		61,222	29,191
Earnings per share			(Restated)
– Basic and diluted (US cent)	8	13.59	6.48

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



For the six months ended 30 June 2021

For the six months ended 30 June

	<b>2021</b> <b>USD'000</b> <b>(Unaudited)</b>	2020 USD'000 (Unaudited)
Profit for the period	<b>61,222</b>	29,191
Other comprehensive (expenses)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	<b>(2,368)</b>	6,197
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>580</b>	(1,481)
Other comprehensive (expenses)/income for the period	<b>(1,788)</b>	4,716
Total comprehensive income for the period	<b>59,434</b>	33,907
Total comprehensive income/(expenses) for the period attributable to:		
Owners of the Company	<b>59,468</b>	33,907
Non-controlling interests	<b>(34)</b>	–
	<b>59,434</b>	33,907

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30 June 2021 USD'000 (Unaudited)	31 December 2020 USD'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	30,786	31,219
Right-of-use assets		195	51
Investment properties	10	63,087	64,899
Financial assets at fair value through profit or loss	11	383,767	292,518
Investments in debt instruments measured at amortised cost	11	49,977	59,364
Investments in perpetual notes at fair value through profit or loss	11	55,389	59,143
Other receivables and deposits	12	863	796
Intangible assets		1,746	1,746
Goodwill		17,972	17,972
		<b>603,782</b>	<b>527,708</b>
<b>CURRENT ASSETS</b>			
Accounts and other receivables	12	263,843	24,503
Loans receivable		–	903
Investments in debt instruments measured at amortised cost	11	37,093	40,526
Financial assets at fair value through profit or loss	11	101,625	29,869
Tax recoverable		–	97
Bank trust accounts balances	13	33,868	43,090
Bank balances and cash		643,099	964,665
		<b>1,079,528</b>	<b>1,103,653</b>
<b>CURRENT LIABILITIES</b>			
Lease liabilities		196	54
Accounts and other payables	14	49,812	59,684
Tax payable		28	26
		<b>50,036</b>	<b>59,764</b>
<b>NET CURRENT ASSETS</b>			
		<b>1,029,492</b>	<b>1,043,889</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,633,274</b>	<b>1,571,597</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		288	288
		<b>1,632,986</b>	<b>1,571,309</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	598	34,871
Reserves		1,630,179	1,536,438
Equity attributable to owners of the Company		1,630,777	1,571,309
Non-controlling interests		2,209	–
<b>TOTAL EQUITY</b>			
		<b>1,632,986</b>	<b>1,571,309</b>

The condensed consolidated financial statements on pages 18 to 38 were approved and authorised for issue by the Board of Directors on 27 August 2021 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 2021



	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Exchange reserve	Retained earnings			
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	
(Unaudited)									
At 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
(Unaudited)									
At 31 December 2020 and 1 January 2021	34,871	1,023,183	212	11,658	1,688	499,697	1,571,309	-	1,571,309
Profit/(loss) for the period	-	-	-	-	-	61,256	61,256	(34)	61,222
Exchange difference arising on translation	-	-	-	-	(1,788)	-	(1,788)	-	(1,788)
Total comprehensive (expense)/income for the period	-	-	-	-	(1,788)	61,256	59,468	(34)	59,434
Capital reorganisation (Note 15a)	(34,273)	-	-	34,273	-	-	-	-	-
Deemed disposal of interests in a subsidiary to non-controlling shareholders	-	-	-	-	-	-	-	640	640
Partial disposal of interests in subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	1,603	1,603
At 30 June 2021	598	1,023,183	212	45,931	(100)	560,953	1,630,777	2,209	1,632,986

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 USD'000 (Unaudited)	2020 USD'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
<b>Cash used in operations</b>	<b>(233,612)</b>	(31,093)
Income taxes recovered	97	–
<b>Net cash used in Operating Activities</b>	<b>(233,515)</b>	(31,093)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9)	(61)
Purchase of financial assets at fair value through profit or loss	(115,003)	(6,809)
Purchase of investments in perpetual notes at fair value through profit or loss	–	(1,540)
Purchase of investments in debt instruments measured at amortised cost	(2,121)	(7,066)
Proceeds from disposal of investments in debt instruments measured at amortised cost	14,780	7,126
Proceeds from disposal of investments in perpetual notes at fair value through profit or loss	3,518	–
Proceeds from return of capital of financial assets at fair value through profit or loss	4,384	1,175
Interest received	6,077	14,580
<b>Net cash (used in)/from Investing Activities</b>	<b>(88,374)</b>	7,405
<b>FINANCING ACTIVITIES</b>		
Repayments of leases liabilities	(64)	(135)
Interest expenses paid	(2)	(10)
Proceeds received from issues of shares of a subsidiary to non-controlling interests	640	–
Proceeds on disposal of partial interests in a subsidiary without losing control	1,200	–
<b>Net cash from/(used in) Financing Activities</b>	<b>1,774</b>	(145)
<b>Net decrease in cash and cash equivalents</b>	<b>(320,115)</b>	(23,833)
<b>Cash and cash equivalents at beginning of the period</b>	<b>964,665</b>	940,486
<b>Effect of foreign exchange rate changes</b>	<b>(1,451)</b>	4,046
<b>Cash and cash equivalents at end of the period, represented by Bank Balances and Cash</b>	<b>643,099</b>	920,699

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

## 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 2020.

## 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”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The application of 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 consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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, financial services business, principal investment 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 2021 (Unaudited)

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Eliminations USD'000	Total USD'000
External revenue					
Interest income	2,510	2,759	–	–	5,269
Dividend and distribution income	–	43,294	–	–	43,294
Fee and commission income	2,818	–	–	–	2,818
Rental income	–	–	922	–	922
	<b>5,328</b>	<b>46,053</b>	<b>922</b>	<b>–</b>	<b>52,303</b>
Inter-segment revenue	219	–	–	(219)	–
Segment revenue	<b>5,547</b>	<b>46,053</b>	<b>922</b>	<b>(219)</b>	<b>52,303</b>
Segment results	<b>2,782</b>	<b>60,271</b>	<b>937</b>	<b>–</b>	<b>63,990</b>
Unallocated other income					126
Unallocated corporate expenses					(1,191)
Decrease in fair value of investment properties					(1,701)
Profit before taxation					<b>61,224</b>

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

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Total USD'000
External revenue				
Interest income	443	6,646	–	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	<b>1,977</b>	<b>12,168</b>	<b>1,026</b>	<b>15,171</b>
Segment results	<b>453</b>	<b>33,449</b>	<b>1,046</b>	<b>34,948</b>
Unallocated other income				23
Unallocated corporate expenses				(2,701)
Decrease in fair value of investment properties				(3,079)
Profit before taxation				<b>29,191</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

## 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 2021 (Unaudited)

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Total USD'000
<b>ASSETS</b>				
Segment assets	338,692	1,250,523	63,194	1,652,409
Unallocated corporate assets				30,901
Total assets				1,683,310
<b>LIABILITIES</b>				
Segment liabilities	39,537	109	495	40,141
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				344
Total liabilities				50,324

#### At 31 December 2020 (Audited)

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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	
	2021 USD'000 (Unaudited)	2020 USD'000 (Unaudited)
Interest income from financial products	2,044	2,254
Interest income from money lending business	20	16
Interest income from margin financing	2,490	427
Interest income from financial institutions' deposits	715	4,392
Interest income	5,269	7,089
Dividend and distribution income from financial products	43,294	5,522
Commission income and handling charges from financial services	2,711	1,410
Asset management fee income	107	124
Fee and commission income	2,818	1,534
Rental income	922	1,026
	<b>52,303</b>	<b>15,171</b>

## 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	
	2021 USD'000 (Unaudited)	2020 USD'000 (Unaudited)
Hong Kong Profits Tax	2	–
Taxation for the period	2	–

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

## 6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	<b>2021</b> <b>USD'000</b> <b>(Unaudited)</b>	2020 USD'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	<b>389</b>	322
Depreciation of right-of-use assets	<b>62</b>	133
Exchange (gain)/loss, net, included in other (gain)/loss	<b>(718)</b>	2,870
Interest income from bank deposits, included in other income	<b>(476)</b>	(6,549)

## 7. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 30 June 2020 and 2021 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>2021</b> <b>USD'000</b> <b>(Unaudited)</b>	2020 USD'000 (Unaudited)
Profit for the period attributable to owners of the Company, for the purposes of basic and diluted earnings per share	<b>61,256</b>	29,191
	Number of shares	
	<b>2021</b>	2020 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>450,814,079</b>	450,814,079

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2020 has been adjusted retrospectively for the effect of share consolidation (details set out in note 15(a)) completed on 28 June 2021.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired furniture, fixture and equipment at a total cost of USD9,000 (the six months ended 30 June 2020: USD61,000). In addition, during the six months ended 30 June 2020, 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 2020 (Audited)	89,507
Fair value change during the year	(11,423)
Transferred to property, plant and equipment (Note 9)	(13,568)
Exchange realignments	383
At 31 December 2020 and 1 January 2021 (Audited)	64,899
Fair value change during the period	(1,701)
Exchange realignments	(111)
At 30 June 2021 (Unaudited)	63,087

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 2021 has been arrived at on the basis of a valuation carried out by Roma Appraisals Limited, independent qualified professional valuers not connected to the Group.

Roma Appraisals Limited has 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 2021

## 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 2021 USD'000 (Unaudited)	31 December 2020 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)	63,215	76,163
Floating Rate Senior Notes (Notes a, b, e)	24,773	24,815
Less: Expected credit losses	(918)	(1,088)
	<b>87,070</b>	99,890
Less: Investments in debt instruments measured at amortised cost classified as current assets	<b>(37,093)</b>	(40,526)
Investments in debt instruments measured at amortised cost classified as non-current assets	<b>49,977</b>	59,364
<b>Investments in perpetual notes at fair value through profit or loss</b>		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	<b>55,389</b>	59,143
<b>Financial assets at fair value through profit or loss</b>		
Unlisted investments		
Unlisted investment funds (Note f)	382,907	284,167
Unlisted equity investments (Note g)	15,980	–
Convertible notes (Note h)	17,000	–
Listed equity investments (Note i)		
Listed in Hong Kong	54,407	38,220
Listed outside Hong Kong	15,098	–
	<b>485,392</b>	322,387
Less: Financial assets at fair value through profit or loss classified as current assets	<b>(101,625)</b>	(29,869)
Financial assets at fair value through profit or loss classified as non-current assets	<b>383,767</b>	292,518

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 2021, four of the Fixed Rate Senior Notes were matured and two of the Fixed Rate Senior Notes were offered repurchase by the issuer prior to the maturity and were accepted by the Group. The net loss on disposal including early repurchase of investments in debt instruments measured at amortised cost was USD1,000. 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.
- (c) Senior Notes held by the Group bear a fixed coupon interest of ranging from 2.375% to 7.95% (31 December 2020: from 2.375% to 9.15%) per annum and with maturity dates from 15 July 2021 to 13 November 2024 (31 December 2020: from 26 March 2021 to 13 November 2024). Except for one of the Senior Notes carrying a gross amount of USD1,168,000 (30 June 2021: USD1,168,000) with original maturity date in October 2020 occurred a provision of lifetime expected credit loss of USD874,000 (30 June 2021: USD874,000) due to a credit event during the year ended 31 December 2020. The directors of the Company considered that the provision for expected credit loss ("ECL") was sufficient.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 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)

- (d) Perpetual Notes held by the Group bear a floating rate of ranging from 4.5% to 7.375% (31 December 2020: from 4.5% to 7.625%) per annum and are callable from 10 August 2021 to 16 May 2025 (31 December 2020: from 30 March 2021 to 16 May 2025). The interest rates are subject to change at reset day with reset rate ranging from 2.764% to 7.773% (31 December 2020: from 2.648% to 7.773%) plus USD 5 years mid-swap rate or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or semi-annual USD 5 years mid-swap rate. During the six months ended 30 June 2021, one of the Perpetual Notes was being called and one of the Perpetual Notes was sold.
- (e) Senior Notes held by the Group bear a floating rate of ranging from 1.565% to 5% (31 December 2020: from 3.887% to 5%) per annum and with maturity dates from 10 August 2021 to 9 November 2047 (31 December 2020: from 10 August 2021 to 9 November 2047). The interest rate is subject to change at reset day with reset rate ranging from 1.400% to 3.472% (31 December 2020: from 1.400% to 3.472%) plus 3 months USD LIBOR or the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years or USD 5 years mid-swap rate.
- (f) As at 30 June 2021, the unlisted investment funds classified as financial assets at fair value through profit or loss ("FVTPL") include unlisted private equity funds, unlisted security shares and unlisted hedge funds with carrying value of USD260,401,000, USD66,149,000 and USD56,357,000 (31 December 2020: USD190,377,000, USD93,790,000 and nil), respectively.

In accounting for the fair value measurement of the investment in unlisted private equity funds, the management of the Group has determined that the reported net asset value of the unlisted private equity funds provided by the general partners represented the fair value of the unlisted private equity funds. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment is necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the unlisted private equity funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of judgment. For the unrestricted actively traded public equity and debt instruments in the unlisted private equity funds, the fair value is determined based on closing price or bid price as of measurement date.

As at 30 June 2021, two (31 December 2020: two) out of these five (31 December 2020: four) unlisted private equity funds accounted for 87% (31 December 2020: 91%) of the aggregate carrying value, with the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry.

As at 31 December 2020, the fair value of the unlisted security shares was derived from a quoted price from a signed sale and purchase agreement of its underlying investments and the transaction contemplated thereunder had been completed subsequent to the end of reporting period. The investment portfolio was focused in unlisted equity investments in healthcare industry. As at 30 June 2021, the fair value of the unlisted security shares are derived from (i) monetary asset which is placed in financial institution, and (ii) receivable which is the closing payment from the completion of transactions contemplated under the underlying investments. The Group received the amount in full subsequent to the interim reporting period.

The Group invested in eight (31 December 2020: nil) unlisted hedge funds of USD56,357,000 (31 December 2020: nil) which are managed by fund managers and invested in a variety of global financial securities across a range of strategies. The financial products include listed and unlisted equity shares, government bonds, corporate bonds, convertible bonds, options, futures, and swap contracts. The underlying financial products and unlisted equity investment are valued at quoted prices in the open market or observable prices of comparable investments, or measured using valuation techniques in which significant input is based on observable market data.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

## 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)

(f) (continued)

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

During the six months ended 30 June 2021, an increase in fair value of USD21,179,000 (six months ended 30 June 2020: USD6,576,000) was recognised in the profit or loss. During the six months ended 30 June 2021, the Group received returns of capital of USD4,384,000 (six months ended 30 June 2020: USD1,175,000) and plus distribution of USD38,047,000 (six months ended 30 June 2020: USD1,600,000) from four (six months ended 30 June 2020: one) of its unlisted investment funds.

(g) During the period ended 30 June 2021, the Group acquired two unlisted equity investments of USD15,980,000 which engaged in the business of information technology and financial technology industry. The management 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. The factors to be considered in management's assessment may require the exercise of judgment.

During the period ended 30 June 2021, 8% of the shares of the Group's subsidiary which held one of the unlisted equity investments was subscribed by the Group's employees at a consideration of USD640,000. The consideration was determined based on the fair value at acquisition and it has been received. The Group disposed 5% of the shares of its subsidiary which held another unlisted equity investment to the Group's employee and independent third party at a consideration of USD403,000. The consideration was determined based on the fair value at acquisition and it was included in other receivables.

(h) During the period ended 30 June 2021, the Group acquired convertible notes issued by an independent third party, which engaged in the business of manufacturing and development of an electric motor system utilising advanced cloud software, smart technologies furthering the Internet of things, and switched reluctance technology, in a principal amount of USD17,000,000 with the maturity date on 30 April 2023. The convertible notes carry interest at 1.0% per annum from the issue date of the convertible notes through and including the first anniversary of the 30 April 2021 ("Closing"); 7.0% per annum from but not including the first anniversary of the Closing and through and including the date 18 months after the Closing; and 8.0% per annum from but not including the date 18 months after the date of the Closing and through and including the maturity date.

The convertible notes will be converted if there is an automatic conversion triggering event or upon the Group's election to convert all or part of the outstanding amount into shares of the issuer by, among other things, applying an applicable discount rate ranging from 75% to 85% on the outstanding principal and interest accrued.

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

During the period ended 30 June 2021, the Group disposed approximately 7% of the shares of its subsidiary which held the convertible notes to the Group's employees and independent third parties at a consideration of USD1,200,000. The consideration was determined based on the fair value at acquisition and it has been received.

(i) The fair value is determined based on the closing price per share quoted on the relevant stock exchanges and quoted market bid price as at the end of the respective reporting periods apart from the shares which the listing of the shares had been cancelled by the Hong Kong Stock Exchange, 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 2021

## 12. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2021 USD'000 (Unaudited)	31 December 2020 USD'000 (Audited)
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	19,560	15,884
Clearing house and brokers	3,996	4,660
Clients for subscription of new shares in initial public offerings	235,355	–
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	619	759
Accounts receivables (Note a)	259,530	21,303
Other receivables and deposits (Note d)	5,180	4,014
Less: Impairment allowance (Note c)	(4)	(18)
	264,706	25,299
Less: Other receivables and deposits classified as non-current assets	(863)	(796)
Accounts and other receivables classified as current assets	263,843	24,503

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 receivables 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 from clients are secured by clients' securities as collaterals with fair value of USD143,972,000 (31 December 2020: USD108,700,000). A significant portion of the collaterals are listed equity securities in Hong Kong. These receivables are mainly repayable on demand subsequent to settlement date and carry interest typically at 3% to 15% (31 December 2020: 3% to 13%) per annum as at 30 June 2021. The collateral held can be sold at the Group's discretion to settle any outstanding amounts owed by customers when the amounts become past due. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of the business.
- (c) Impairment assessment on accounts and other receivables with ECL model
- As part of the Group's credit risk management, the Group applied internal credit rating for its customers and considered the fair value of its collateral. The Group assessed the ECL for accounts receivables from clients individually.
- The Group held collateral of listed equity securities with a fair value of USD143,972,000 (31 December 2020: USD108,700,000) at the end of the reporting period in respect of accounts receivables from clients. No impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD19,552,000 (31 December 2020: USD15,545,000) based on the Group's impairment assessment with ECL model.
- (d) Included in other receivables and deposits are interest receivables and sundry deposits amounting to USD118,000 and USD1,026,000 (31 December 2020: USD2,630,000 and USD962,000), respectively.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

## 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 2021 USD'000 (Unaudited)</b>	31 December 2020 USD'000 (Audited)
Accounts payables from the business of dealing in securities:		
Clients	<b>37,452</b>	45,159
Brokers	<b>32</b>	1,011
Accounts payables from the business of dealing in futures contracts:		
Clients	<b>1,118</b>	1,423
Accounts payables (Note a)	<b>38,602</b>	47,593
Other payables (Note b)	<b>11,210</b>	12,091
	<b>49,812</b>	59,684

Notes:

- (a) Accounts payables to clients mainly include money held in banks and brokers 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 2021, included in other payables are USD9,839,000 (31 December 2020: USD9,839,000) relating to the liabilities arising from the disposal of mining business during the year ended 31 December 2016.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 15. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 31 December 2020 (Audited), 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	60,000,000,000	76,923
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2020 (Audited), 30 June 2020 (Unaudited), 31 December 2020 (Audited) and 1 January 2021 (Audited)	27,048,844,786	34,871
Consolidation of shares and cancellation of paid-up capital (Note a)	(26,598,030,707)	(34,273)
At 30 June 2021 (Unaudited)	450,814,079	598

Note:

(a) Capital reorganisation

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

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

## 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") 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 (the "Eligible Participants"). Under the 2014 Scheme, the Board of Directors may grant options to the Eligible Participants to subscribe for shares in the Company.

No share option was granted, outstanding, forfeited, exercised, expired or exercisable during the six months ended 30 June 2021 and 30 June 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

## 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 listed equity investments 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 the listing of the shares had been cancelled by the Hong Kong Stock Exchange, 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 investments 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.

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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 2021 (Unaudited)</b>				
<b>Financial assets</b>				
Unlisted investments (classified as financial assets at FVTPL) (Note a)	–	66,149	349,738	415,887
Listed equity investments (classified as financial assets at FVTPL) (Note b)	69,505	–	–	69,505
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL) (Note c)	–	55,389	–	55,389
<b>Sub-total</b>	<b>69,505</b>	<b>121,538</b>	<b>349,738</b>	<b>540,781</b>
<b>At 31 December 2020 (Audited)</b>				
<b>Financial assets</b>				
Unlisted investments (classified as financial assets at FVTPL) (Note a)	–	93,790	190,377	284,167
Listed equity investments (classified as financial assets at FVTPL) (Note b)	38,220	–	–	38,220
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL) (Note c)	–	59,143	–	59,143
<b>Sub-total</b>	<b>38,220</b>	<b>152,933</b>	<b>190,377</b>	<b>381,530</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Notes:

- (a) The fair value of unlisted investments classified as financial assets at FVTPL include unlisted private equity funds, unlisted security shares, unlisted hedge funds, unlisted equity investments and convertible notes.

In accounting for the fair value measurement of the investment in unlisted private equity funds, the management of the Group has determined that the reported net asset value of unlisted private equity funds provided by the general partners represent the fair value of the unlisted private equity funds. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment 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 unlisted private equity funds in determining the net asset value. The factors to be considered in general partners' assessment may require the exercise of the judgment. For the unrestricted actively traded public equity and debt instruments in the unlisted private equity funds, the fair value is determined based on closing price or bid price as of measurement date. The underlying investments of USD260,401,000 (31 December 2020: USD190,377,000) held by the unlisted private equity funds were valued using cost or latest finance price without adjustment, except for two underlying investments of approximately USD56 million (31 December 2020: USD25 million) were valued under market approach (i.e. comparable companies approach) by the general partners.

For the underlying investments valued using cost or latest financing price without adjustment, there is no significant unobservable input. The higher the reported net assets values of the unlisted private equity funds, the higher the fair value of the unlisted private equity funds.

As at 30 June 2021, for the two underlying investments of the unlisted private equity funds using the market approach, the general partner adopts methodologies with judgment in considering assumptions those marketplace participants would utilise in their estimate of fair value. The significant unobservable inputs involved in the valuation of the two underlying investments of the unlisted investment funds using the market approach are the revenue multiples and discount of lack of marketability. The two underlying investments of the unlisted private equity fund adopted the revenue multiples of 2.8 and 14.4 (31 December 2020: 2.8 and 19.3) and discount of lack of marketability of 18% and 37% (31 December 2020: 18% and 39%), respectively. The higher the revenue multiples and the lower the discount of lack of marketability, the higher the fair value of the unlisted private equity funds. The sensitivity analysis has been determined based on the exposure to significant unobservable inputs of revenue multiples and discount of lack of marketability. If the revenue multiples have been 1% higher or lower, the fair value would increase or decrease by approximately USD542,000 (31 December 2020: USD238,000); if the discount of lack of marketability has been 100 basis points higher or lower, the fair value would decrease or increase by approximately USD816,000 (31 December 2020: USD336,000).

As at 30 June 2021, the fair value of unlisted security shares of USD66,149,000 is derived from (i) monetary asset which is placed in financial institution, and (ii) receivable which is the closing payment from the completion of transactions contemplated under the underlying investments. The higher the closing payment, the higher the fair value. As at 31 December 2020, the fair value of unlisted security shares of USD93,790,000 was derived from a quoted price from a signed sale and purchase agreement of its underlying investments. The higher the quoted transaction price, the higher the fair value.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



For the six months ended 30 June 2021

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

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Notes: (continued)

(a) (continued)

For the fair value of unlisted equity investments, the management 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 investments. For the investments valued using cost or latest financing price without adjustment, there is no significant unobservable input. The higher the cost or latest financing price of the unlisted equity investments, the higher the fair value of the unlisted equity investments.

The fair value of convertible notes is determined and arrived at a valuation performed by independent professional valuers not connected to the Group, using Monte Carlo simulations. The significant unobservable inputs used in the fair value measurement are equity value of the note issuer, risk-free rate of 0.217%, expected volatility of 85%, expected dividend yield of 0%, remaining option life of 1.83 and discount rate of 15%. The higher the equity value of the underlying investment or the lower the discount rate, the higher the fair value of the convertible notes. The sensitivity analysis has been determined based on the exposure to significant unobservable inputs of equity value of the underlying investment and discount rate. If the equity value of the underlying investment has been 1% higher or lower, the fair value would increase or decrease by approximately USD24,000 or USD111,000, respectively; if the discount rate has been 100 basis points higher or lower, the fair value would decrease or increase by approximately USD174,000 or USD138,000, respectively.

- (b) The fair value of listed equity investments 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 the listing of the shares had been cancelled by the Hong Kong Stock Exchange, the management considered that the fair value was remained as nil.
- (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.
- (d) For the six months ended 30 June 2021, there is no transfer among level 1, 2 and 3. For the year ended 31 December 2020, there was a transfer of the unlisted security shares of USD93,790,000 from level 3 to level 2.

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

#### Unlisted investments (classified as financial assets at FVTPL)

	USD'000
At 1 January 2020 (Audited)	223,135
Purchases	37,222
Return on capital	(10,428)
Transferred to level 2	(93,790)
Gain recognised in profit or loss	34,238
At 31 December 2020 and 1 January 2021 (Audited)	190,377
Purchases	115,003
Return on capital	(4,384)
Gain/(loss) recognised in	
– profit or loss	48,820
– OCI (Note)	(78)
At 30 June 2021 (Unaudited)	349,738

Note: The gain or loss included in other comprehensive income for the year are related to the unlisted investments 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 2021

## 18. OPERATING LEASES

### The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	<b>At 30 June 2021 USD'000 (Unaudited)</b>	At 31 December 2020 USD'000 (Audited)
Within one year	<b>385</b>	1,223

## 19. OTHER COMMITMENTS

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

	<b>At 30 June 2021 USD'000 (Unaudited)</b>	At 31 December 2020 USD'000 (Audited)
Other commitments contracted for but not provided for in the condensed consolidated financial statements in respect of capital contribution in unlisted investments which are recognised as financial assets at FVTPL	<b>76,540</b>	81,485

## 20. RELATED PARTY DISCLOSURES

### Key management personnel compensation

	For the six months ended 30 June	
	<b>2021 USD'000 (Unaudited)</b>	2020 USD'000 (Unaudited)
Short-term benefits	<b>786</b>	544
Post-employment benefits	<b>2</b>	2
	<b>788</b>	546