



G-RESOURCES

For the six months ended 30 June 2022
(Incorporated in Bermuda with limited liability)

Stock Code: 1051



2022

INTERIM
FINANCIAL
REPORT

CORPORATE PHILOSOPHY

OUR VALUES

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

GREAT VALUES

GROWTH in value for all our stakeholders

RESPECT for our people, our communities and all stakeholders

EXCELLENCE in everything we do

ACTION to deliver on our commitments

TRANSPARENCY openness, honesty and good governance

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director

Ms Li Zhongye, Cindy, *Chairperson*

Executive Directors

Mr Leung Oi Kin

Mr Leung Wai Yiu, Malcolm

Independent Non-Executive Directors

Mr Lo Wa Kei, Roy

Mr Chen Gong

Mr Martin Que Meideng

EXECUTIVE COMMITTEE

Mr Leung Oi Kin

Mr Leung Wai Yiu, Malcolm

AUDIT COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*

Mr Chen Gong

Mr Martin Que Meideng

REMUNERATION COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*

Mr Chen Gong

Mr Martin Que Meideng

NOMINATION COMMITTEE

Ms Li Zhongye, Cindy, *Chairperson*

Mr Chen Gong

Mr Martin Que Meideng

COMPANY SECRETARY

Mr Leung Oi Kin

AUDITOR

Moore Stephens CPA Limited

Registered Public Interest Entity Auditors

LEGAL ADVISORS

Hong Kong: Raymond Siu & Lawyers

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Li Zhongye, Cindy

Ms Li Zhongye, Cindy, aged 54, was appointed as the chairperson of the Company and a 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 a board director of WeAreHAH since January 2019, and an independent board director of ZHRH Corporation (a company listed on the OTC market of the United States) since March 2022. Ms Li also served as a director of Sunny Education Inc.. Ms Li obtained a medical degree in Capital Medical University, the People’s Republic of China in 1992.

EXECUTIVE DIRECTORS

Leung Oi Kin

Mr Leung Oi Kin, aged 48, 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). 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 and obtained the degree of master of business administration with honors from the University of Chicago Booth School of Business in 2022 in the United States.

Leung Wai Yiu, Malcolm

Mr Leung Wai Yiu, Malcolm, aged 40, 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 nineteen 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Wa Kei, Roy

Mr Lo Wa Kei, Roy, aged 51, 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 President of the Hong Kong Independent Non-Executive Director Association and the Divisional President 2019 — Greater China of CPA Australia. Mr Lo has over twenty-eight 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, Wan Kei Group Holdings Limited and China Oceanwide Holdings Limited. He also served as an independent non-executive director of a number of companies listed on the Stock Exchange, including Sheen Tai Holdings Group Company Limited, Sun Hing Vision Group Holdings Limited, China Zhongwang Holdings Limited and Xinming China Holdings Limited. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chen Gong

Mr Chen Gong, aged 52, 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 mergers & acquisitions 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 from the University of Arizona in 1997. He is a Certified Public Accountant in the United States.

Martin Que Meideng

Mr Martin Que Meideng, aged 61, was appointed as an independent non-executive Director on 3 February 2017. Mr Que has over twenty-five years of extensive experience in North American financial investment and management; and as 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 of The Premier Association of Financial Professionals®, a Certified Financial Planner of the Financial Planning Standards Council and a Chartered Life Underwriter of The American College of Financial Services. Mr Que received a bachelor of engineering from Wuhan College of Geology in 1983 and a master of science from China University of Geosciences of China in 1986.

SENIOR MANAGEMENT

Chan Chun Fung

Mr Chan Chun Fung, aged 38, is a director and general manager of Funderstone Securities Limited ("FSL") and Funderstone Futures Limited ("FFL"). Mr Chan has over ten years of experience in the financial services industry. Since 2012, he has been licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as a responsible officer for type 1, type 2, type 4 and type 5 regulated activities in industry, and licensed responsible officer for FSL and FFL in 2019. With extensive financial industry experiences 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, 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

Mr Lau Yue Wah, Brian, aged 49, 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. 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	
	2022 USD'000	2021 USD'000
Revenue	10,631	52,303
Other income	1,596	658
Administrative expenses	(6,787)	(5,717)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss	(70,726)	14,782
Decrease in fair value of investment properties	–	(1,701)
Other gain	1,785	718
EBITDA	(64,152)	61,677
(Loss)/Profit before taxation (Note)	(64,593)	61,224
(Loss)/Profit for the period	(64,593)	61,222
Analysis of external revenue by operating segment:		
(i) Financial Services Business	1,420	5,328
(ii) Principal Investment Business	8,486	46,053
(iii) Real Property Business	725	922
Analysis of (loss)/profit before taxation by operating segment:		
(i) Financial Services Business	(779)	2,782
(ii) Principal Investment Business	(65,857)	60,271
(iii) Real Property Business	740	937

Note: The (loss)/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 2022, the Group had a net loss after tax of USD64.6 million (the six months ended 30 June 2021: net profit after tax of USD61.2 million). The change from the net profit for the same period last year into the net loss for the current period was mainly due to (i) the loss on fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss (“FVTPL”) of USD70.7 million; and (ii) decrease in revenue by USD41.7 million.

Revenue of USD10.6 million (the six months ended 30 June 2021: USD52.3 million) was mainly generated by the dividend and distribution income as well as interest income from financial products; interest income from deposits at financial institutions and margin financing; commission income and handling charges from financial services; as well as rental income. The significant decrease in revenue was mainly due to (i) significant net decrease in dividend and distribution income and interest income from financial products under principal investment business by USD38.4 million, which was mainly due to the decrease in distribution income received from our unlisted investments; and (ii) decrease in commission income and handling charges from financial services and interest income from margin financing by USD3.9 million.

Other income of USD1.6 million (the six months ended 30 June 2021: USD0.7 million) for the period mainly comprises interest income generated from fixed income investment which amounted to USD1.3 million (the six months ended 30 June 2021: USD0.5 million), and government grants amounted to USD0.1 million in respect of COVID-19-related subsidies (the six months ended 30 June 2021: USD0.1 million).

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

MANAGEMENT DISCUSSION AND ANALYSIS

An improvement from the fair value loss of investment properties of USD1.7 million was due to relatively stable prices in Hong Kong housing and commercial properties during the period as compared to the corresponding period. The recognition of exchange gain of USD1.8 million was mainly due to the fluctuation in exchange rate during the period.

Administrative expenses were USD6.8 million for the six months ended 30 June 2022, representing an increase of USD1.1 million as compared with USD5.7 million for the six months ended 30 June 2021. Such increase was mainly due to the expansion of 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 adopts a prudent approach in allocating its financial assets. Apart from equity investments which are usually subject to higher market risks, the Group has been exploring different fixed income investment portfolios as part of its assets allocation plan, including the selection of fixed income assets and the vehicles the Group uses to access them.

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

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

Segment analysis

(i) Financial Services Business

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

In the first half of 2022, in view of the local outbreak of Omicron variant of COVID-19 and tightening of restriction policies, the Group had taken a more prudent and conservative approach, to focus on existing product offerings and to continue to leverage the client base generated from the acquisition of FSHL Group and identified new high-quality client base where opportunity arises. The Group's experienced management team continued to put tremendous efforts in our margin financing, securities and brokerage services and asset management business through the use of our well established securities trading infrastructure, strong client loyalty and multiple sales channels. The Group believes that it has developed and maintained a niche in the margin financing market to serve corporate and retail clients in meeting their corporate goals and personal needs by building on our renowned reputation in delivering professional and personalised financial services. The Group also continued its underwriting exercises during the period. The Group will continue to actively identify business opportunities, diversify into more business lines and offer greater variety of financial services to our customers.

For the six months ended 30 June 2022, 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 loss before taxation for financial services business was USD0.8 million (the six months ended 30 June 2021: the profit before taxation of USD2.8 million), which was mainly due to the significant decrease in interest income from margin financing and commission income and handling charges for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Commission income and handling charges

During the six months ended 30 June 2022, the commission income and handling charges from financial services were USD0.8 million (the six months ended 30 June 2021: USD2.7 million). The decrease in the commission income and handling charges was mainly due to decrease in trading volume of Hong Kong stocks which was mainly resulted from the adverse Hong Kong stock market environment during the period.

Interest income from margin financing and money lending businesses

For the six months ended 30 June 2022, the interest income from margin financing was USD0.5 million (the six months ended 30 June 2021: USD2.5 million). The accounts receivables from clients was USD2.8 million as at 30 June 2022 (as at 31 December 2021: USD15.7 million). Such decreases were due to the adverse Hong Kong initial public offering ("IPO") market environment, which in turn affected our margin financing business.

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

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

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

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

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

The Group had no bad debts during the period.

(ii) Principal Investment Business

During the six months ended 30 June 2022, the Group invested USD25.5 million in unlisted financial assets, which was mainly payment for commitments of the unlisted investment funds. During the six months ended 30 June 2022, the Group (i) invested USD10.6 million in listed bonds; (ii) disposed, redeemed or otherwise has reached maturity of listed bonds in the aggregate value of USD17.1 million; and (iii) had a net decrease in the aggregate market value of listed shares of USD6.0 million. Other than the abovementioned reasons, the net decrease of USD53.1 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 loss before taxation of principal investment business of USD65.9 million mainly included (i) fair value losses of financial assets and investments in perpetual notes at FVTPL of USD70.7 million; (ii) provision for expected credit losses on financial assets of USD0.2 million; (iii) administrative expenses of USD1.9 million; and (iv) exchange loss of USD1.7 million, which was partially offset by interest income, dividend and distribution income from the financial assets of USD8.5 million. The significant decrease in dividend and distribution income was mainly due to significant decrease in distribution income from unlisted investments during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group held USD562.1 million of non-cash financial assets, as follows:

	30 June 2022 USD'000	31 December 2021 USD'000
Listed shares	52,012	57,968
Listed bonds	77,882	88,048
Unlisted investment funds	374,356	403,514
Unlisted equity investments	37,611	39,182
Convertible notes	20,287	26,481
Total	<u>562,148</u>	<u>615,193</u>

Significant Investments

Genesis Capital I LP ("Genesis Fund I")

The Group held limited partner interest of Genesis Fund I as an unlisted investment fund since April 2017. The diversified investment portfolio of the Genesis Fund I operates in the form of a limited partnership, focusing on underlying investment opportunities in China which aligns with the theme of "Information Technology Improves Efficiency". Based on this vision, Genesis Fund I's investment profile yields returns from investing in a wide range of equity and equity-related securities of growth and late-stage technology entities or business-to-business and business to consumer commerce such as software-as-a-service companies and e-commerce platforms. The Group's capital commitment to Genesis Fund I accounts for 17.8% of the total partners' capital commitment as at 30 June 2022. The fair value of the investment as at 30 June 2022 was USD158.5 million, which accounted for 9.8% of the total assets of the Group as at 30 June 2022. The investment cost of Genesis Fund I was USD73.3 million (31 December 2021: USD73.3 million).

Genesis Fund I has achieved income generation and capital appreciation since our investment in April 2017. For the six months ended 30 June 2022, the unrealised loss of the investment was USD13.1 million. Moving forward, the Group is optimistic about the potential of this investment in the long run. Amid geopolitical tensions in Europe as well as escalating pressures in energy and food prices, China's economy has remained largely resilient and maintained positive GDP growth in the first half of 2022. It is expected that such stable economic environment will provide support for the business fundamentals of our portfolio companies under Genesis Fund I. Being a limited partner of Genesis Fund I, based on the proven track record, the Group believes that by leveraging on the strategic and extensive resources available and extensive experience in investment, management and fund operation in the technology, media and telecommunications industry possessed by Genesis Fund I's management team, the investment will continue to bring about positive financial returns.

Except for the investment disclosed above, there was no other single investment (for example, financial assets at FVTPL and investments in debt instruments measured at amortised cost) in the Group's diversified investment portfolio that was considered a significant investment, given that none of the investments had a carrying amount accounting for more than 5% of the Group's total assets as at 30 June 2022.

(iii) Real Property Business

The Group owns three floors of commercial office (including 17th, 18th and 19th floor) and ten car parking spaces located at Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. Part of the commercial offices are being used by the Group as our head office and the remaining part has been leased to third parties for office use under leases of not more than three years. The rental income generated and the profit before taxation of the real property business were USD0.7 million and USD0.7 million (the six months ended 30 June 2021: USD0.9 million and USD0.9 million) for the period, respectively, which were relatively stable as compared to the same period in 2021. The slight decrease in rental income was due to grant of extra rent-free period as part of the renewal of the rental contract for leased commercial offices during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been seeking for investment opportunities for quality and upscale commercial properties and other types of properties in other countries. Against the continued restrictive travelling measures adopted by Hong Kong due to outbreak of COVID-19, the Group was unable to conduct physical examination of properties in other countries. Since the second half of 2020, the Group has been concentrating on those properties in Hong Kong, in particular distressed and foreclosed properties, and assessing the capital returns and rental yield of the same. Due to continued change of circumstances in connection with the COVID-19 pandemic and the uncertainty in Hong Kong business environment resulting from economic recession and geopolitical tensions, Hong Kong's office leasing market is still subject to strong headwinds and struggling to recover from the bottom in the period. Demands for leased office premises remained subdued with the new lettings in the central business districts dropped significantly and the vacancy rate in the overall office market rising – both of which have prevented a rental recovery in the first half of 2022. 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 2022 USD'000	31 December 2021 USD'000
Current Assets		
Bank balances and cash	865,514	900,845
Time deposits with original maturities over three months	30,000	–
Financial assets at FVTPL	27,857	29,552
Investments in debt instruments measured at amortised cost	14,473	14,038
Accounts and other receivables	6,684	19,705
Others	40,973	39,430
Non-current Assets		
Financial assets at FVTPL	456,409	497,593
Investments in debt instruments measured at amortised cost	38,697	44,977
Investments in perpetual notes at FVTPL	23,736	29,033
Investments in perpetual notes at fair value through other comprehensive income	976	–
Investment properties	64,264	64,669
Others	50,487	50,984
Total Assets	1,620,070	1,690,826
Other Liabilities	(60,225)	(53,039)
Net Assets	1,559,845	1,637,787

Non-current assets were USD634.6 million (31 December 2021: USD687.3 million), representing a decrease of USD52.7 million. It was mainly due to the net decrease in investment in financial assets at FVTPL of USD41.2 million; a decrease in investments in perpetual notes at FVTPL of USD5.3 million; and a decrease in investments in debt instruments measured at amortised cost of USD6.3 million. Current assets were USD985.5 million (31 December 2021: USD1,003.6 million), representing a decrease by USD18.1 million, which was mainly due to a decrease in accounts and other receivables of USD13.0 million; net decrease in bank balances and cash of USD35.3 million; an increase in the time deposits with original maturities over three months of USD30.0 million; and a decrease in financial assets at FVTPL of USD1.7 million. However, the effect was offset by an increase in investments in debt instruments measured at amortised cost of USD0.4 million.

NET ASSETS VALUE

As at 30 June 2022, the Group's net assets amounted to USD1,559.8 million, representing a decrease of USD78.0 million as compared to USD1,637.8 million as at 31 December 2021. The decrease in net assets was mainly due to the loss for the period of USD64.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOW, LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow Summary

	For the six months ended 30 June	
	2022 USD'000	2021 USD'000
Net cash from/(used in) Operating Activities	12,401	(233,515)
Net cash used in Investing Activities	(43,903)	(88,374)
Net cash from Financing Activities	20	1,774
Net decrease in cash and cash equivalents	(31,482)	(320,115)
Cash and cash equivalents at beginning of the period	900,845	964,665
Effect of foreign exchange rate changes	(3,849)	(1,451)
Cash and cash equivalents at end of the period	865,514	643,099

The Group's cash balance as at 30 June 2022 was USD865.5 million (31 December 2021: USD900.8 million). The net cash from operating activities for the six months ended 30 June 2022 of USD12.4 million was mainly due to decrease in accounts and other receivables of USD13.0 million. Net cash used in investing activities was USD43.9 million mainly included net cash outflows for investments of USD18.1 million and placing of bank deposit of USD30.0 million, which was partially offset by USD4.2 million from interest received.

The Group's gearing ratio as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 30 June 2022 and 31 December 2021. The Group had no outstanding bank borrowings as at 30 June 2022.

CAPITAL STRUCTURE OF THE GROUP

As at 30 June 2022, the equity attributable to the owners of the Company was USD1,557.1 million. The capital structure of the Group has not changed materially since 31 December 2021, being the end of the reporting period of the Group's annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

On 28 January 2022, Maximum Gains Group Limited ("Maximum Gains"), an indirect wholly-owned subsidiary of the Company, and Princeville Global Partners III Ltd. (being the general partner) ("Princeville GP") entered into the subscription agreement to subscribe for the limited partner interest in Princeville Global III LP (the "Princeville Fund") as a limited partner for a capital commitment of USD20 million (equivalent to approximately HKD155.8 million). The Princeville Fund is being established for the principal purposes of (i) making, either directly or indirectly through an intermediate entity owned or controlled by the Princeville Fund, "breakout" stage investments in technology companies whose businesses are seeking growth capital, with a view to generating income and capital appreciation; (ii) managing, supervising and disposing of such investments; and (iii) engaging in such other activities related, incidental or ancillary thereto. Princeville GP, incorporated in the Cayman Islands as an exempted company, is also the carried interest partner of Princeville Fund, and may appoint Princeville Capital (the "Management Company"), an exempted company incorporated in the Cayman Islands, to provide investment advisory services to the Princeville Fund on a non-discretionary basis. The Management Company is principally engaged and specialises in investing in technology-related growth companies around the world. The Management Company invests in companies in the "breakout" stage, in which there are proven business models, technologies, unit economics, accelerating KPIs and a need for capital to grow. Mr Emmanuel DeSousa and Mr Joaquin Alberto C Rodriguez Torres are the co-founders of the Management Company and lead the management team of the same, both possessing more than 20 years of investment experience, having invested in some of the prominent internet and technology companies globally. For further details, please refer to the announcement of the Company dated 28 January 2022. As at 30 June 2022, the Princeville Fund has invested in four projects including (i) a leading personalised news and entertainment APPs developer in Japan and the United States; (ii) an eCommerce logistics technology platform in China; (iii) a leading eCommerce platform in Turkey; and (iv) a leading layer-two scaling solution for the Ethereum blockchain and one of the largest NFT-focused blockchains.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the period and as at the date of this interim report.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND HEDGING POLICIES

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

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

PLEDGE OF ASSETS

As at 30 June 2022, no assets of the Group had been pledged.

BUSINESS OUTLOOK

Leveraging on our existing solid capital base, we actively optimised resources allocation and maintained our conservative and diligent investment philosophy. We believe that this strategy enables us to remain cautious in view of the difficulties and challenges under the current economic environment, whilst maximising return and value on the Group’s business and financial performance in the second half of 2022.

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

In the first half of 2022, there were new uncertainties affecting the global financial market, such as the Russo-Ukrainian War, the announcement by the United States Federal Reserve to increase interest rates, spread of Omicron variant of COVID-19 in Hong Kong and as a result, tightening of social distancing measures.

The Group expected that the business and investment environment both globally and in Hong Kong will continue to be difficult and challenging in the second half of 2022. The geopolitical conflict between Russia and Ukraine are expected to continue to have a negative impact on the global financial and business market. There is also strong anticipation that the United States Federal Reserve will implement more aggressive measures to increase interest rates.

In view of all the upcoming uncertainties and increased volatility of global financial markets, the Group will adopt a prudent and balanced approach and adjust its business strategies to respond to market changes in a flexible and timely manner. The Group will continue to build on its existing promotion strategies through the use of its multiple channels, including advertisements and marketing campaigns, as well as other brand building and brand awareness activities, and incentive measures to further strengthen its margin financing business and to enhance our client coverage on the securities trading and brokerage business. The Group will closely monitor securities market developments and actively review all of its implemented strategies to maximise benefits arising from such market.

For our money lending business, the management of the Group has been 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 continue to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Principal investment business. The Group's investment portfolio consists of a combination of diversified investment in funds, bonds and equity investments (including listed or unlisted). The Group will continue to review its investment portfolio from time to time. Where its investment team considers that suitable opportunities arise which are beneficial to the Group and can enhance the Group's overall profitability and returns, the Group may consider investing in such investment products.

Real property business. The Group continued to seek investment opportunities for quality and upscale commercial properties and other types of properties. Against the continued restrictive travelling measures adopted by Hong Kong due to the COVID-19 pandemic, the Group was unable to conduct physical examination of properties in other countries. Since the second half of 2020, the Group has been exploring distressed and foreclosed properties available in the areas where the Group is focusing on, and assessing the capital returns and rental yield of such properties. The Group will continue to explore other properties that can provide a higher return as well as good potential capital appreciation in the future. The Group will take all necessary and proper assessments if we intend to acquire any new properties.

Looking-forward. The COVID-19 pandemic has continued for over two years and had by far severely affected the global economy and corporate earnings. In view of the 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 2022, 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 salary, medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

SUBSEQUENT EVENTS

The board of directors of the Company (the "Board") is not aware of any significant events that have occurred subsequent to 30 June 2022 and up to the date of this interim report.

OTHER INFORMATION

DIRECTORS AND EXECUTIVE OFFICERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, 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 of Listed Issuers (the "Model Code") required to be disclosed in accordance with Appendix 10 to 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 2022, 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 2022.

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, 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 2022, 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 2022, 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 2022 (the six months ended 30 June 2021: nil).

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 (the “Corporate Governance Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022.

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 2022.

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 2022. 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 2022 has been reviewed by the Audit Committee.

By Order of the Board

Li Zhongye, Cindy

Chairperson

Hong Kong, 30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	NOTES	For the six months ended 30 June	
		2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
Revenue			
Interest income	4	3,991	5,269
Dividend and distribution income	4	5,030	43,294
Fee and commission income	4	885	2,818
Rental income	4	725	922
		10,631	52,303
Other income		1,596	658
Administrative expenses		(6,787)	(5,717)
Fair value changes of financial assets and investments in perpetual notes at fair value through profit or loss ("FVTPL")		(70,726)	14,782
Net loss on disposal of investments in debt instruments measured at amortised cost		(678)	(1)
Decrease in fair value of investment properties		—	(1,701)
(Provision for)/reversal of expected credit losses on financial assets, net		(411)	184
Other gain		1,785	718
Finance cost		(3)	(2)
(Loss)/profit before taxation		(64,593)	61,224
Taxation	5	—	(2)
(Loss)/profit for the period	6	(64,593)	61,222
(Loss)/profit for the period attributable to:			
Owners of the Company		(64,790)	61,256
Non-controlling interests		197	(34)
		(64,593)	61,222
(Loss)/earnings per share			
– Basic and diluted (US cent)	8	(14.37)	13.59

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

For the six months ended 30 June

	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
(Loss)/profit for the period	(64,593)	61,222
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	(8,783)	(2,368)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	2,289	580
Changes in fair value of investments in perpetual notes at fair value through other comprehensive income ("FVTOCI")	(16)	—
Other comprehensive expenses for the period	(6,510)	(1,788)
Total comprehensive (expenses)/income for the period	(71,103)	59,434
Total comprehensive (expenses)/income for the period attributable to:		
Owners of the Company	(71,300)	59,468
Non-controlling interests	197	(34)
	(71,103)	59,434

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	30 June 2022 USD'000 (Unaudited)	31 December 2021 USD'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	29,726	30,295
Right-of-use assets		85	137
Investment properties	10	64,264	64,669
Financial assets at FVTPL	11	456,409	497,593
Investments in debt instruments measured at amortised cost	11	38,697	44,977
Investments in perpetual notes at FVTPL	11	23,736	29,033
Investments in perpetual notes at FVTOCI	11	976	—
Other receivables and deposits	12	958	834
Intangible assets		1,746	1,746
Goodwill		17,972	17,972
		634,569	687,256
CURRENT ASSETS			
Accounts and other receivables	12	6,684	19,705
Investments in debt instruments measured at amortised cost	11	14,473	14,038
Financial assets at FVTPL	11	27,857	29,552
Time deposits with original maturities over three months		30,000	—
Bank trust accounts balances	13	40,973	39,430
Bank balances and cash		865,514	900,845
		985,501	1,003,570
CURRENT LIABILITIES			
Lease liabilities		88	112
Accounts and other payables	14	52,954	52,612
Dividend payable		6,895	—
		59,937	52,724
NET CURRENT ASSETS			
		925,564	950,846
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,560,133	1,638,102
NON-CURRENT LIABILITIES			
Deferred tax liabilities		288	288
Lease liabilities		—	27
		288	315
		1,559,845	1,637,787
CAPITAL AND RESERVES			
Share capital	15	598	598
Reserves		1,556,487	1,634,636
Equity attributable to owners of the Company		1,557,085	1,635,234
Non-controlling interests		2,760	2,553
TOTAL EQUITY		1,559,845	1,637,787

The condensed consolidated financial statements on pages 16 to 36 were approved and authorised for issue by the Board of Directors on 30 August 2022 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 2022

Attributable to owners of the Company

	Share capital USD'000	Share premium USD'000	Capital redemption reserve USD'000	Contributed surplus USD'000	Exchange reserve USD'000	Other reserves USD'000	Financial asset at FVTOCI reserve USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total USD'000
(Unaudited)											
At 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
(Unaudited)											
At 31 December 2021 and 1 January 2022	598	1,023,183	212	45,931	(4,265)	—	—	569,575	1,635,234	2,553	1,637,787
(Loss)/profit for the period	—	—	—	—	—	—	—	(64,790)	(64,790)	197	(64,593)
Exchange difference arising on translation	—	—	—	—	(6,494)	—	—	—	(6,494)	—	(6,494)
Changes in fair value of investments in perpetual notes at FVTOCI	—	—	—	—	—	—	(16)	—	(16)	—	(16)
Total comprehensive (expense)/income for the period	—	—	—	—	(6,494)	—	(16)	(64,790)	(71,300)	197	(71,103)
Partial disposal of interests in a subsidiary to non-controlling shareholders	—	—	—	—	—	64	—	—	64	10	74
Final 2021 dividend declared	—	—	—	—	—	—	—	(6,913)	(6,913)	—	(6,913)
At 30 June 2022	598	1,023,183	212	45,931	(10,759)	64	(16)	497,872	1,557,085	2,760	1,559,845

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

For the six months ended 30 June

	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from/(used in) operations	12,401	(233,612)
Income taxes recovered	—	97
Net cash from/(used in) Operating Activities	12,401	(233,515)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6)	(9)
Purchase of financial assets at FVTPL	(25,504)	(115,003)
Purchase of investments in perpetual notes at FVTOCI	(992)	—
Purchase of investments in debt instruments measured at amortised cost	(9,649)	(2,121)
Proceeds from disposal of investments in debt instruments measured at amortised cost	14,639	14,780
Proceeds from disposal of investments in perpetual notes at FVTPL	2,500	3,518
Proceeds from return of capital of financial assets at FVTPL	861	4,384
Interest received	4,248	6,077
Placement of time deposits with original maturities over three months	(30,000)	—
Net cash used in Investing Activities	(43,903)	(88,374)
FINANCING ACTIVITIES		
Repayments of leases liabilities	(51)	(64)
Interest expenses paid	(3)	(2)
Proceeds received from issues of shares to non-controlling interests	—	640
Proceeds on disposal of partial interests in a subsidiary without losing control	74	1,200
Net cash from Financing Activities	20	1,774
Net decrease in cash and cash equivalents	(31,482)	(320,115)
Cash and cash equivalents at beginning of the period	900,845	964,665
Effect of foreign exchange rate changes	(3,849)	(1,451)
Cash and cash equivalents at end of the period, represented by Bank Balances and Cash	865,514	643,099

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021.

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 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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 Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current interim 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (continued)

(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 2022 (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	535	3,456	—	—	3,991
Dividend and distribution income	—	5,030	—	—	5,030
Fee and commission income	885	—	—	—	885
Rental income	—	—	725	—	725
	<u>1,420</u>	<u>8,486</u>	<u>725</u>	<u>—</u>	<u>10,631</u>
Inter-segment revenue	194	—	—	(194)	—
Segment revenue	<u>1,614</u>	<u>8,486</u>	<u>725</u>	<u>(194)</u>	<u>10,631</u>
Segment results	<u>(779)</u>	<u>(65,857)</u>	<u>740</u>	<u>—</u>	<u>(65,896)</u>
Unallocated other income					53
Unallocated corporate expenses					(2,522)
Unallocated exchange gain					3,772
Loss before taxation					<u>(64,593)</u>

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
	<u>5,328</u>	<u>46,053</u>	<u>922</u>	<u>—</u>	<u>52,303</u>
Inter-segment revenue	219	—	—	(219)	—
Segment revenue	<u>5,547</u>	<u>46,053</u>	<u>922</u>	<u>(219)</u>	<u>52,303</u>
Segment results	<u>2,782</u>	<u>60,271</u>	<u>937</u>	<u>—</u>	<u>63,990</u>
Unallocated other income					126
Unallocated corporate expenses					(2,407)
Unallocated exchange gain					1,216
Decrease in fair value of investment properties					(1,701)
Profit before taxation					<u>61,224</u>

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 (Unaudited)

	Financial services business USD'000	Principal investment business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	329,992	1,195,711	64,393	1,590,096
Unallocated corporate assets				29,974
Total assets				1,620,070
LIABILITIES				
Segment liabilities	42,862	105	353	43,320
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				7,066
Total liabilities				60,225

At 31 December 2021 (Audited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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	
	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
Interest income from financial products	1,874	2,044
Interest income from money lending business	—	20
Interest income from margin financing	535	2,490
Interest income from financial institutions' deposits	1,582	715
Interest income	3,991	5,269
Dividend and distribution income from financial products	5,030	43,294
Commission income and handling charges from financial services	814	2,711
Asset management fee income	71	107
Fee and commission income	885	2,818
Rental income	725	922
	10,631	52,303

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	
	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
Hong Kong Profits Tax	—	2
Taxation for the period	—	2

6. (LOSS)/PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	387	389
Depreciation of right-of-use assets	51	62
Exchange gain, net, included in other gain	(1,785)	(718)
Interest income from bank deposits, included in other income	(1,349)	(476)

7. DIVIDEND

During the current interim period, a final dividend of HKD0.12 per share in respect of the year ended 31 December 2021 was declared to be payable to the owners of the Company. The amount of the final dividend declared to be payable in the current interim period amounted to approximately USD6,913,000 (equivalent to approximately HKD54,098,000). Scrip dividend elections were offered to all shareholders. No dividend was paid, declared or proposed during the six months ended 30 June 2021 nor has any dividend been declared or proposed since the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company, for the purposes of basic and diluted (loss)/earnings per share	(64,790)	61,256
	Number of shares	
	2022	2021
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	450,814,079	450,814,079

No diluted (loss)/earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired furniture, fixture and equipment at a total cost of USD6,000 (the six months ended 30 June 2021: USD9,000).

10. INVESTMENT PROPERTIES

	USD'000
At fair value	
At 1 January 2021 (Audited)	64,899
Fair value change during the year	141
Exchange realignments	(371)
At 31 December 2021 and 1 January 2022 (Audited)	64,669
Exchange realignments	(405)
At 30 June 2022 (Unaudited)	64,264

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 2022 and 31 December 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 2022

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

	30 June 2022 USD'000 (Unaudited)	31 December 2021 USD'000 (Audited)
Investments in debt instruments measured at amortised cost		
Debt securities listed in Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	8,259	5,655
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	31,326	39,898
Floating Rate Senior Notes (Notes a, b, e)	15,582	16,614
Less: Expected credit losses	(1,997)	(3,152)
	53,170	59,015
Less: Investments in debt instruments measured at amortised cost classified as current assets	(14,473)	(14,038)
Investments in debt instruments measured at amortised cost classified as non-current assets	38,697	44,977
Investments in perpetual notes at FVTPL		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	23,736	29,033
Investments in perpetual notes at FVTOCI		
Floating Rate Perpetual Notes, listed outside Hong Kong (Note d)	976	—
Financial assets at FVTPL		
Unlisted investments		
Unlisted investment funds (Note f)	374,356	403,514
Unlisted equity investments (Note g)	37,611	39,182
Convertible notes (Note h)	20,287	26,481
Listed equity investments (Note i)		
Listed in Hong Kong	37,747	43,466
Listed outside Hong Kong	14,265	14,502
	484,266	527,145
Less: Financial assets at FVTPL classified as current assets	(27,857)	(29,552)
Financial assets at FVTPL classified as non-current assets	456,409	497,593

Notes:

- (a) The Group's investments in debt instruments measured at amortised cost mainly comprise instruments that have a low risk of default or the issuers have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay, etc.).
- (b) During the six months ended 30 June 2022, four of the Fixed Rate Senior Notes were matured, six of the Fixed Rate Senior Notes were sold and one of the Floating Rate Senior Notes was being called. For the six months ended 30 June 2022, the net loss on disposal including redemption of investments in debt instruments measured at amortised cost was USD678,000. 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 for 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.

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11. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/INVESTMENTS IN PERPETUAL NOTES AT FVTPL/INVESTMENTS IN PERPETUAL NOTES AT FVTOCI (continued)

Notes: (continued)

(c) Senior Notes held by the Group bear a fixed coupon interest of ranging from 2.13% to 8.8% (31 December 2021: from 2.45% to 8.8%) per annum and with maturity dates from 19 July 2022 to 9 February 2026 (31 December 2021: 3 March 2022 to 9 February 2026). As at 30 June 2022, five of the Senior Notes carrying a gross amount of USD6,518,000 with original maturity dates ranging from July 2022 to May 2024 occurred a provision of lifetime expected credit loss ("ECL") of USD1,082,000. The directors of the Company considered that the provision for ECL was sufficient.

(d) Perpetual Notes at FVTPL held by the Group bear a floating rate of ranging from 4.625% to 6.375% (31 December 2021: from 4.5% to 6.375%) per annum and are callable from 15 August 2022 to 16 May 2025 (31 December 2021: from 24 January 2022 to 16 May 2025). The interest rates are subject to change at reset day with reset rate ranging from 2.764% to 4.976% (31 December 2021: from 2.764% 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 2022, one of the Perpetual Notes was being called.

Perpetual Notes at FVTOCI held by the Group bear a floating rate of 5.75% (31 December 2021: nil) per annum and are callable on 20 September 2022 (31 December 2021: nil). The interest rates are subject to change at reset day with reset rate of 7.005% (31 December 2021: nil) plus the prevailing yield for U.S. Treasury Securities at a constant maturity having a designated maturity of 5 years.

(e) Senior Notes held by the Group bear a floating rate of ranging from 2.584% to 4.475% (31 December 2021: from 1.524% to 5%) per annum and with maturity dates from 1 September 2023 to 9 November 2047 (31 December 2021: from 1 September 2023 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 2021: 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 2022, the unlisted investment funds classified as financial assets at FVTPL include unlisted private equity funds and unlisted hedge funds with carrying value of USD304,165,000 and USD70,191,000 (31 December 2021: USD327,389,000 and USD76,125,000), respectively.

In accounting for the fair value measurement of the investment in unlisted private equity funds, the management of the Group has determined that the reported net asset value of the unlisted private equity funds provided by the general partners represented the fair value of the unlisted private equity funds. The general partners used methodology based on relevant comparable data 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 2022, three (31 December 2021: three) out of these nine (31 December 2021: seven) unlisted private equity funds accounted for 87% (31 December 2021: 84%) of the aggregate carrying value, with the investment portfolio is focused in listed and unlisted equity investments in technology, media and telecommunications and healthcare industry.

The Group invested in eleven (31 December 2021: eleven) unlisted hedge funds of USD70,191,000 (31 December 2021: USD76,125,000) 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.

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For the six months ended 30 June 2022

11. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/INVESTMENTS IN PERPETUAL NOTES AT FVTPL/INVESTMENTS IN PERPETUAL NOTES AT FVTOCI (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 or observable prices in the open market or measured using techniques in which significant inputs are based on observable market data. The fair value of government bonds, corporate bonds, and convertible bonds is generally based on quoted prices or last reported sales prices when traded in active/observable markets. The fair value of options, futures and swap contracts is generally based on the last settlement price or quoted market prices on the date of determination. The factors to be considered in fund managers' assessment may require the exercise of judgment.

During the six months ended 30 June 2022, a decrease in fair value of USD53,801,000 (an increase in fair value for six months ended 30 June 2021: USD21,179,000) was recognised in the profit or loss. During the six months ended 30 June 2022, the Group received returns of capital of USD861,000 (six months ended 30 June 2021: USD4,384,000) and distributions of USD1,298,000 (six months ended 30 June 2021: USD38,047,000) from four (six months ended 30 June 2021: four) of its unlisted investment funds.

(g) The Group invested six (31 December 2021: five) unlisted equity investments with the carrying amount of USD37,611,000 (31 December 2021: USD39,182,000), which three of them engaged in financial technology, and three engaged in information technology.

As at 30 June 2022, three unlisted equity investments are with the carrying amount of USD12,744,000 (31 December 2021: USD23,025,000). The valuation technique adopted is the market approach (i.e. comparable company approach). The valuation method used was the Guideline Public Company Method under Market approach. The significant unobservable inputs are price-to-sales multiple of 3.82x, 18.82x and 21.92x (31 December 2021: 29.6x, 30.0x and 43.45x), respectively.

As at 30 June 2022, two unlisted equity investments are with the carrying amount of USD16,126,000 (31 December 2021: USD16,157,000). The valuation technique adopted is the market approach (i.e. comparable company approach). The valuation method used was the Guideline Public Company Method under Market approach with Option-Pricing Method ("OPM") to allocate the enterprise value among different classes of shares. The significant unobservable inputs are, price-to-sales multiple of 17.47x (31 December 2021: 19.5x) and price-to-book multiple of 6.69x (31 December 2021: 6.69x), risk-free rate of 2.99% and 2.91% (31 December 2021: 0.823% and 0.76%), expected volatility of 41.64% and 64.15% (31 December 2021: 45.523% and 80.066%), expected initial public offering probability of 95% and 95% (31 December 2021: 95% and 95%), expected redemption probability of 5% and 0% (31 December 2021: 5% and 0%), and expected liquidation probability of 0% and 5% (31 December 2021: 0% and 5%), respectively.

Another unlisted equity investment is converted from convertible notes into equity during the period with the carrying amount of USD8,741,000 (31 December 2021: USD8,681,000). The valuation method used was the Guideline Public Company Method under Market approach with OPM to allocate the enterprise value among different classes of shares (31 December 2021: Monte Carlo simulations). The significant unobservable inputs are, price-to-sales multiple of 2.72x (31 December 2021: 2.38x), and risk-free rate of 3.05% (31 December 2021: 0.30%), and expected volatility of 100% (31 December 2021: 40%).

During the six months ended 30 June 2022, a decrease in fair value of unlisted equity investments of USD8,953,000 was recognised in profit or loss (six months ended 30 June 2021: nil).

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For the six months ended 30 June 2022

11. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/INVESTMENTS IN PERPETUAL NOTES AT FVTPL/INVESTMENTS IN PERPETUAL NOTES AT FVTOCI (continued)

Notes: (continued)

- (h) The Group invested convertible notes 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 30 April 2021 ("Closing"); 7.0% per annum from but not including the first anniversary of the Closing and through and including the date 18 months after the Closing; and 8.0% per annum from but not including the date 18 months after the date of the Closing and through and including the maturity date. The convertible notes will be converted if there is an automatic conversion triggering event or upon the Group's election to convert all or part of the outstanding amount into shares of the issuer by, among other things, applying the applicable discount rate ranging from 75% to 85% on the outstanding principal and interest accrued. The significant unobservable inputs used in the fair value measurement are equity value of the note issuer, risk-free rate of 2.67% (31 December 2021: 0.51%), expected volatility of 100% (31 December 2021: 80%), expected dividend yield of 0% (31 December 2021: 0%), remaining option life of 0.83 years (31 December 2021: 1.33 years), and discount rate of nil (31 December 2021: 16%).

As at 30 June 2022 and 31 December 2021, the fair value of the unlisted convertible notes is determined and arrived at a valuation conducted by an independent professional valuer not connected to the Group, using Monte Carlo simulations.

During the six months ended 30 June 2022, an increase in fair value of convertible notes of USD2,487,000 was recognised in profit or loss (six months ended 30 June 2021: nil).

- (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 remained as nil.

12. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	30 June 2022 USD'000 (Unaudited)	31 December 2021 USD'000 (Audited)
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	2,830	15,651
Clearing house and brokers	149	2,832
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	313	593
Accounts receivables (Note a)	3,292	19,076
Other receivables and deposits (Note d)	4,708	1,618
Less: Impairment allowance (Note c)	(358)	(155)
	7,642	20,539
Less: Other receivables and deposits classified as non-current assets	(958)	(834)
Accounts and other receivables classified as current assets	6,684	19,705

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS (continued)

Notes:

- (a) Accounts receivables from clearing house and certain clients from the business of dealing in securities is repayable on the settlement date, which is two business days after trade date, except for the remaining accounts receivables from the business of dealing in securities and futures contracts are repayable on demand. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of these businesses.
- (b) Majority of the accounts receivables from clients are secured by clients' securities as collaterals with fair value of USD44,973,000 (31 December 2021: USD164,241,000). A significant portion of the collaterals are listed equity securities in Hong Kong. These receivables are mainly repayable on demand subsequent to settlement date and carry interest typically at 3% to 18% (31 December 2021: 3% to 15%) per annum as at 30 June 2022. The collaterals 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 USD44,973,000 (31 December 2021: USD164,241,000) at the end of the reporting period in respect of accounts receivables from clients. As at 30 June 2022, no impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD1,327,000 (31 December 2021: USD15,001,000), while parts of accounts receivables from clients with an aggregate outstanding balance of USD1,503,000 (31 December 2021: USD650,000) occurred a provision of ECL of USD358,000 (31 December 2021: USD155,000) based on the Group's impairment assessment with ECL model. The directors of the Company considered that the provision for ECL was sufficient.

- (d) Included in other receivables and deposits are dividend receivable from listed equity investments, interest receivables and sundry deposits amounting to USD2,474,000, USD741,000 and USD1,109,000 (31 December 2021: nil, USD229,000 and USD1,001,000), respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

	30 June 2022 USD'000 (Unaudited)	31 December 2021 USD'000 (Audited)
Accounts payables from the business of dealing in securities:		
Clients	39,809	39,746
Clearing house and brokers	1,735	554
Accounts payables from the business of dealing in futures contracts:		
Clients	656	995
Accounts payables (Note a)	42,200	41,295
Other payables (Note b)	10,754	11,317
	52,954	52,612

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 2022, included in other payables are USD9,839,000 (31 December 2021: 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 2022

15. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2021 (Audited), 30 June 2021 (Unaudited), 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	60,000,000,000	76,923
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2021 (Audited)	27,048,844,786	34,871
Consolidation of shares and cancellation of paid-up capital (Note a)	<u>(26,598,030,707)</u>	<u>(34,273)</u>
At 30 June 2021 (Unaudited), 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	<u>450,814,079</u>	<u>598</u>

Note:

(a) Capital reorganisation

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

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

16. SHARE-BASED PAYMENT TRANSACTIONS

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

Share-based payment was recognised over the vesting period based on the management's estimation of the timing when the vesting conditions are met. No share option was granted under the 2014 Scheme during the six months ended 30 June 2022 and 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 are 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 and FVTOCI) 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
At 30 June 2022 (Unaudited)				
Financial assets				
Unlisted investments (classified as financial assets at FVTPL) (Note a)	—	—	432,254	432,254
Listed equity investments (classified as financial assets at FVTPL) (Note b)	52,012	—	—	52,012
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL) (Note c)	—	23,736	—	23,736
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTOCI) (Note c)	—	976	—	976
Sub-total	52,012	24,712	432,254	508,978
At 31 December 2021 (Audited)				
Financial assets				
Unlisted investments (classified as financial assets at FVTPL) (Note a)	—	—	469,177	469,177
Listed equity investments (classified as financial assets at FVTPL) (Note b)	57,968	—	—	57,968
Variable rate Perpetual Notes (classified as investments in perpetual notes at FVTPL) (Note c)	—	29,033	—	29,033
Sub-total	57,968	29,033	469,177	556,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 investment funds classified as financial assets at FVTPL include unlisted private equity funds, 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 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 the judgment. The underlying investments of USD304,165,000 (31 December 2021: USD327,389,000) held by the unlisted private equity funds were valued using cost or latest finance price without adjustment, except for one underlying investments of approximately USD12.9 million (31 December 2021: USD12.9 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 are, the higher the fair value of the unlisted private equity funds is.

As at 30 June 2022, for the one (31 December 2021: one) underlying investment 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 one (31 December 2021: one) underlying investments of the unlisted private equity fund adopted the revenue multiples of 2.1x (31 December 2021: 2.2x) and discount of lack of marketability of 23.45% (31 December 2021: 22%), respectively. The higher the revenue multiples and the lower the discount of lack of marketability are, the higher the fair value of the unlisted private equity funds is. 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 had been 1% higher/lower, the fair value would increase/decrease by approximately USD122,000 (31 December 2021: USD122,000); if the discount of lack of marketability had been 100 basis points higher/lower, the fair value would decrease/increase by approximately USD160,000 (31 December 2021: USD157,000).

In accounting for the fair value measurement of the investments 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 financial institutions represented the fair value of the unlisted hedge funds. The factors to be considered in financial institutions' assessment may require the exercise of judgment. The higher the reported net assets values of the unlisted hedge funds are, the higher the fair value of the unlisted hedge funds is.

As at 30 June 2022, for the fair value of investment in six (31 December 2021: five) unlisted equity investments was determined by market approach with a combination of observable and unobservable inputs. For the three (31 December 2021: two) unlisted equity investment with carrying value of approximately USD24,867,000 (31 December 2021: USD16,157,000) measured under Guideline Public Company Method under Market Approach and the OPM. If the price-to-sales multiple and price-to book multiple, respectively, had been 100 basis point higher/lower, holding other inputs as constant, the fair value would increase/decrease by approximately USD278,000 or USD257,000 (31 December 2021: USD1,613,000). If the expected volatility had been 300 basis point higher/lower, holding other inputs as constant, the fair value would decrease/increase by approximately USD51,000 or USD83,000 (2021: USD5,000). If the expected initial public offering probability had been 100 basis points higher/lower and it would result in decrease/increase in the same 100 basis points in expected liquidation probability, holding other inputs as constant, the fair value would increase/decrease by approximately USD39,000 (31 December 2021: USD33,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 remaining three (31 December 2021: three) unlisted equity investments with carrying value of approximately USD12,744,000 (31 December 2021: USD23,025,000) measured under Guideline Public Company Method under Market Approach. If the price-to-sales multiple has been 100 basis points higher/lower, the fair value would increase/decrease by approximately USD127,000 (31 December 2021: USD708,000).

The fair value of unlisted convertible notes is determined and arrived at a valuation performed by independent professional valuers not connected to the Group, using Monte Carlo simulations. The higher the equity value of the underlying investment or the lower the discount rate is, the higher the fair value of the convertible notes is. 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 had been 1% higher/lower, the fair value would increase or decrease by approximately USD59,000 or USD36,000 (31 December 2021: USD143,000 or USD52,000), respectively; if the expected volatility had been 500 basis points higher or lower, the fair value would decrease/increase by approximately USD214,000 or USD222,000 (31 December 2021: increase by approximately USD10,000 or USD67,000), 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 and FVTOCI is determined based on the quoted price from the financial institutions supported by observable inputs.

Reconciliation of Level 3 fair value measurements of financial assets

Unlisted investments (classified as financial assets at FVTPL)

	USD'000
At 1 January 2021 (Audited)	190,377
Purchases	219,032
Return on capital	(4,132)
Gain recognised in profit or loss	63,900
At 31 December 2021 and 1 January 2022 (Audited)	469,177
Purchases	25,504
Return on capital	(861)
Loss recognised in profit or loss	(61,566)
At 30 June 2022 (Unaudited)	432,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. OPERATING LEASES

The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	At 30 June 2022 USD'000 (Unaudited)	At 31 December 2021 USD'000 (Audited)
Not later than one year	1,445	1,303
Later than one year and not later than five years	1,770	2,505
	3,215	3,808

19. OTHER COMMITMENTS

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

	At 30 June 2022 USD'000 (Unaudited)	At 31 December 2021 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 will be recognised as financial assets at FVTPL	109,088	113,948

20. RELATED PARTY DISCLOSURES

Key management personnel compensation

	2022 USD'000 (Unaudited)	2021 USD'000 (Unaudited)
Short-term benefits	663	786
Post-employment benefits	2	2
	665	788

For the six months ended 30 June