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## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

### INTERIM RESULTS

The Board of Directors (the “Board”) of Hoifu Energy Group Limited (the “Company”) announced the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the six months ended 30 June 2016 as follows:

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

*For the six months ended 30 June 2017*

		<b>Six Months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>3</b>	<b>97,955</b>	90,013
Cost of goods sold and direct cost		<u>(72,848)</u>	<u>(58,700)</u>
<b>Gross profit</b>		<b>25,107</b>	31,313
Other income		<b>47,139</b>	3,394
Other gains or losses	<b>4</b>	<b>131,723</b>	(5,234)
Selling and distribution expenses		<b>(1,311)</b>	(357)
Administrative expenses		<u><b>(35,538)</b></u>	<u>(32,569)</u>
<b>Profit/(Loss) from operation</b>		<b>167,120</b>	(3,453)
Finance costs	<b>6</b>	<u><b>(3,378)</b></u>	<u>(2,228)</u>
<b>Profit/(Loss) before taxation</b>	<b>7</b>	<b>163,742</b>	(5,681)
Taxation	<b>8</b>	<u><b>(3,828)</b></u>	<u>(4,199)</u>
<b>Profit/(Loss) for the period</b>		<u><b>159,914</b></u>	<u>(9,880)</u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)**

*For the six months ended 30 June 2017*

		<b>Six Months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Other comprehensive expenses, including Reclassification adjustments and net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		<b>24,118</b>	(3,445)
Fair value gain on available-for-sale securities		<b>36</b>	–
<b>Other comprehensive income/(expenses) for the period</b>		<b>24,154</b>	(3,445)
<b>Total comprehensive income/(expenses) for the period</b>		<b>184,068</b>	(13,325)
Profit/(Loss) for the period attributable to:			
Owners of the Company		<b>159,501</b>	(15,593)
Non-controlling interests		<b>413</b>	5,713
		<b>159,914</b>	(9,880)
Total comprehensive income/(expenses) for the period attributable to:			
Owners of the Company		<b>181,658</b>	(17,636)
Non-controlling interests		<b>2,410</b>	4,311
		<b>184,068</b>	(13,325)
Earnings (Loss) per share – Basic	<i>10</i>	<b>HK6.33 cents</b>	(HK0.95 cents)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017	31 December 2016
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		176,336	177,230
Investment properties	11	576,100	432,639
Intangible assets		43,806	43,782
Exploration and evaluation assets		2,886	2,886
Available-for-sale securities		1,476	1,440
Statutory deposits		4,078	4,055
Loans receivable		12,482	12,483
Prepaid land leases		6,659	6,546
		<u>823,823</u>	<u>681,061</u>
<b>CURRENT ASSETS</b>			
Inventories		129,852	57,062
Prepaid land leases		174	169
Accounts receivable	12	165,119	138,993
Loans receivable		1,917	127
Other receivables, prepayments and deposits		192,502	177,910
Pledged fixed deposits (general accounts)	13	5,234	5,229
Bank balances (trust and segregated accounts)		129,498	156,816
Bank balances (general account) and cash		127,248	132,903
		<u>751,544</u>	<u>669,209</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **(CONTINUED)**

*As at 30 June 2017*

		<b>30 June 2017</b>	31 December 2016
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	14	<b>184,603</b>	174,237
Other payables and accrued expenses		<b>96,690</b>	93,837
Amount due to Directors		<b>110,630</b>	153,638
Tax payables		<b>12,499</b>	12,240
		<b>404,422</b>	433,952
<b>NET CURRENT ASSETS</b>		<b>347,122</b>	235,257
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,170,945</b>	916,318
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>11,880</b>	11,911
Corporate bonds		<b>10,590</b>	–
Borrowings		<b>60,000</b>	–
		<b>82,470</b>	11,911
Net assets		<b>1,088,475</b>	904,407
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>252,128</b>	252,128
Reserves		<b>701,366</b>	519,708
Equity attributable to owners of the Company		<b>953,494</b>	771,836
Non-controlling interests		<b>134,981</b>	132,571
Total equity		<b>1,088,475</b>	904,407

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2017*

## 1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) include trading of natural resources, petrochemical production, oil and gas exploration and production, mineral mining business and provision of financial services.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs.

Amendments to HKAS 7

*Disclosure Initiative*

Amendments to HKAS 12

*Recognition of Deferred Tax Assets for Unrealised Losses*

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

	Six Months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of natural resources and petrochemicals	47,704	–
Sales of mineral products	28,743	75,110
Rental income	10,499	–
Commission and brokerage income	5,974	4,467
Interest income arising from financial business	3,630	5,873
Advisory and consultancy fee	1,405	4,563
	<u>97,955</u>	<u>90,013</u>

### 4. OTHER GAINS OR LOSSES

	Six Months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Reversal/(Provision) of allowance for bad and doubtful debts	1,495	(215)
Net exchange gain/(loss)	22	(5,019)
Fair value change on investment properties	130,206	–
	<u>131,723</u>	<u>(5,234)</u>

## 5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segment for the period under review:

For the six months ended 30 June 2017:

	Trading business <i>HK\$'000</i>	Mineral mining, oil and gas business <i>HK\$'000</i>	Financial business <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE:					
Segment revenue	<u>47,704</u>	<u>28,743</u>	<u>11,009</u>	<u>10,499</u>	<u>97,955</u>
Segment profit	<u>154</u>	<u>(2,144)</u>	<u>586</u>	<u>8,659</u>	<u>7,255</u>
Other income					45,264
Fair value change of investment properties					130,206
Corporate and administration costs					<u>(18,983)</u>
Profit before taxation					<u>163,742</u>

For the six months ended 30 June 2016:

	Trading business <i>HK\$'000</i>	Mineral mining, oil and gas business <i>HK\$'000</i>	Financial business <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE:					
Segment revenue	<u>–</u>	<u>75,110</u>	<u>14,903</u>	<u>–</u>	<u>90,013</u>
RESULTS					
Segment profit	<u>–</u>	<u>12,521</u>	<u>1,956</u>	<u>–</u>	<u>14,477</u>
Corporate and administration costs					<u>(20,158)</u>
Loss before taxation					<u>(5,681)</u>

Segment profit represents the financial results by each segment without allocation of corporate administrative costs. This is the measure reported to the Board of Directors for the purpose of resources allocation and performance assessment.

## 5. SEGMENT INFORMATION (Continued)

The geographical information of revenue is shown as follows:

	Six Months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PRC	38,581	75,110
Hong Kong	11,009	14,903
Others	48,365	–
	<u>97,955</u>	<u>90,013</u>

## 6. FINANCE COSTS

	Six Months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest from other borrowing	670	–
Interest from amount due to Directors	2,644	2,228
Bond interest expenses	64	–
	<u>3,378</u>	<u>2,228</u>

## 7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six Months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation	1,201	1,291
Depreciation	2,393	3,107
Staff cost, including Directors' remuneration	14,896	16,386
Contributions to retirement benefits scheme (included in staff costs)	350	362
Cost of inventories recognised as expenses	23,807	55,559
Loss/(Gain) from error trades	5	(3)
Interest income on bank deposits (included in other income)	–	(9)
Operating lease in respect of office premises	<u>2,952</u>	<u>3,822</u>



## 8. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2016 and 2017 as the companies within the Group either had no assessable profits arising from Hong Kong or the assessable profits were wholly absorbed by estimated losses brought forward. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate applicable to the Group's companies operating in the PRC, the tax rate is 25% from 1 January 2008 onwards. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six Months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
PRC enterprise income tax	<u>4,188</u>	<u>4,559</u>
Deferred tax liabilities	<u>(360)</u>	<u>(360)</u>
	<u><b>3,828</b></u>	<u><b>4,199</b></u>

## 9. DIVIDEND

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2016: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

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

	<b>Six Months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(Loss) for the period attributable to owners of the company for the purpose of basic and diluted earnings/(loss) per share	<b><u>159,501</u></b>	<b><u>(15,593)</u></b>
<b>Weighted average number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<b><u>2,521,280</u></b>	<b><u>1,639,435</u></b>

No diluted earnings/(loss) per share was presented as there were no potential ordinary shares during the six months ended 30 June 2016 and 2017.

## 11. INVESTMENT PROPERTIES

	<b>30 June 2017</b>
	<b>HK\$'000</b>
As at 1 January 2016	—
Acquisition of a subsidiary:	435,054
Exchange adjustment	<u>(2,415)</u>
As at 31 December 2016 and 1 January 2017	432,639
Fair value change on investment properties	130,206
Exchange adjustment	<u>13,255</u>
As at 30 June 2017	<b><u>576,100</u></b>

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.

Investment properties represent a commercial unit located in PRC.

## 11. INVESTMENT PROPERTIES (Continued)

The fair values of the Group's investment properties at 30 June 2017 have been arrived at on the basis of a valuation carried out on that day by Malcolm & Associates Appraisals Limited, an independent qualified professional valuer that is not connected with the Group.

The fair value was determined based on the "Comparison Method" and "Investment Method", where the value is assessed by reference to the comparable properties of sales evidence as available in the relevant market, factoring in all the respective advantages and disadvantages of each property in order to arrive at the comparison of capital value.

## 12. ACCOUNTS RECEIVABLE

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (audited)
Accounts receivable arising from business of trading natural resources and petrochemical	47,704	–
Accounts receivable arising from business of property investment	12,026	1,681
Accounts receivable arising from mineral business	11,111	56,855
Accounts receivable arising from the business of dealing in securities		
– Cash clients	15,765	17,275
Less: Allowance of doubtful debts	(2,801)	(4,296)
	12,964	12,979
– Hong Kong Securities Clearing Company Limited ("HKSCC")	–	4,086
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	2,779	3,416
Loans to securities margin clients	77,547	58,951
Less: Allowance for doubtful debts	(63)	(63)
	77,484	58,888
Accounts receivable arising from the business of advisory for financial management	1,051	1,088
	<b>165,119</b>	<b>138,993</b>

## 12. ACCOUNTS RECEIVABLE (Continued)

Accounts receivable arising from trading of natural resources and petrochemicals were aged within 90 days. The average credit period for accounts receivable from property investment business is 30 days. The accounts receivable from property investment business aged within 90 days. The settlement terms of accounts receivable from cash client, HKSCC and HKFECC are usually one to two days after the trade date. Except for the accounts receivable from cash clients as mentioned below, the accounts receivables from HKSCC and HKFECC were aged within 30 days.

Loans to securities margin clients are repayable on demand and bear interest at Hong Kong Prime Rate quoted by OCBC Wing Hang Bank Limited plus 3% equivalent to 8.25% (31 December 2016: Hong Kong Prime Rate quoted by OCBC Wing Hang Bank Limited plus 3% equivalent to 8.25%) per annum. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of approximately HK\$248,501,000 (31 December 2016: HK\$227,778,000). The percentage of collateral over the outstanding balance at 30 June 2017 ranged 0.31% to 387,362% (31 December 2016: 92% to 13,134%). The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment as requested by the Group.

The Group does not provide any credit term to its advisory for financial management clients. The aged analysis of accounts receivable arising from clients under the business of advisory for financial management is as follow:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (audited)</b>
0 to 90 days	<b>100</b>	243
More than 90 days	<b>951</b>	845
	<b><u>1,051</u></b>	<b><u>1,088</u></b>

## 12. ACCOUNTS RECEIVABLE (Continued)

The settlement terms of cash clients are usually one to two days after the trade date. The aged analysis of accounts receivable arising from cash clients is as follows:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (audited)</b>
0 to 90 days	–	11,175
91 – 180 days	<u>12,964</u>	<u>1,804</u>
	<u><b>12,964</b></u>	<u><b>12,979</b></u>

An average credit period for accounts receivable from trading business is 30 days. The accounts receivable from trading business aged within 90 days.

An average credit period for accounts receivable from mineral business is 180 days. The aged analysis of accounts receivable arising from mineral business is as follow:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (audited)</b>
0 to 180 days	11,111	55,938
More than 180 days	<u>–</u>	<u>917</u>
	<u><b>11,111</b></u>	<u><b>56,855</b></u>

## 13. PLEDGED FIXED DEPOSITS (GENERAL ACCOUNTS)

The Group pledged fixed deposits to banks to secure general banking facilities granted to the Group. The pledged fixed deposits carry interest rates at 0.225% (31 December 2016: 0.225%) per annum and will be released upon the expiry of relevant banking facilities.

#### 14. ACCOUNTS PAYABLE

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (audited)
Accounts payable from business of trading natural resources and petrochemical	47,276	–
Accounts payable from mineral business	–	4,301
Accounts payable arising from the business of dealing in securities:		
– Cash clients	119,697	157,198
– HKSCC	7,325	3,769
Accounts payable to clients arising from the business of dealing in futures contracts	2,886	3,797
Amounts due to securities margin clients	7,419	5,172
	<b>184,603</b>	<b>174,237</b>

The settlement term of accounts payable to cash client and HKSCC is two days after the trade date and aged within 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by the HKFECC are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amounts due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

The accounts payable amounting to HK\$129,498,000 (31 December 2016: HK\$156,816,000) were payable to clients or other institutions in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

#### 14. ACCOUNTS PAYABLE (Continued)

The aged analysis of accounts payable arising from mineral business is as follows:

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
0 to 90 days	–	830
91 days to 180 days	–	3,471
	<u>–</u>	<u>4,301</u>

#### 15. RELATED PARTY TRANSACTIONS

Transactions with related parties:

- a) During the period, the Group received commission income and other securities dealing income from securities dealing of HK\$15,000 (2016: HK\$8,000) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.
- b) During the period, the Group received commission income and other securities dealing income from securities dealing of HK\$Nil (2016: HK\$31,000) from Asia Tele-Net and Technology Corporation Limited (“ATNT”), a company incorporated in Bermuda with its shares being listed on the Stock Exchange in which two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, have controlling interests.
- c) As at 30 June 2017, outstanding advances from a Director, Mr. Nam Kwok Lun, amounted to HK\$99,063,000 (31 December 2016: HK\$129,605,000). During the period, the Group paid finance cost of HK\$2,644,000 (2016: HK\$2,228,000) to the Director.
- d) As at 30 June 2017, outstanding advances from a Director, Dr. Hui Chi Ming, amounted to HK\$11,567,000 (31 December 2016: HK\$24,033,000).
- e) During the period, the Group paid rental fee amounting to HK\$1,210,000 (2016: HK\$1,200,000) to a company in which Dr. Hui Chi Ming, a Director, has beneficial interest.
- f) As at 30 June 2017, outstanding advance from PAL Finance Limited, a wholly-owned subsidiary of ATNT, amounted to HK\$60,000,000 (31 December 2016: HK\$nil). During the period, the Group paid finance costs of HK\$670,000 (2016: HK\$nil) to PAL Finance Limited.

## 15. RELATED PARTY TRANSACTIONS (Continued)

The remuneration of key management personnel who are the Directors of the Company during the period was as follow:

	Six Months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(unaudited)
Short-term benefits	3,588	4,184
Post-employment benefits	45	65
	<u>3,633</u>	<u>4,249</u>

## 16. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.1 each		
<i>Authorised:</i>		
At 1 January 2016, 31 December 2016, 1 January 2017, 30 June 2017	<u>10,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2016	1,650,238	165,024
Share repurchased and cancelled ( <i>note a</i> )	(14,672)	(1,467)
Issue on 28 July 2016 ( <i>note b</i> )	50,000	5,000
Issued in consideration for the acquisition ( <i>note c</i> )	<u>835,714</u>	<u>83,571</u>
At 31 December 2016, 1 January 2017 and 30 June 2017	<u>2,521,280</u>	<u>252,128</u>



## 16. SHARE CAPITAL (Continued)

Notes:

a)	No. of ordinary shares of HK\$0.10 each	Price per share Highest HK\$	Price per share Lowest HK\$	Aggregate consideration paid HK\$'000
Months of repurchase				
January 2016	14,672,000	0.7	0.5	8,326

All the above shares repurchased were cancelled on 18 February 2016.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

- b) Pursuant to subscription agreement dated 14 July 2016 entered into between an independent party ("Subscriber") and the Company, Subscriber subscribed for 50,000,000 new shares of HK\$0.10 in the Company at price of HK\$0.70 per share. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 14 July 2016. All the issued shares rank pari passu in all respects with other shares in issue. The net proceeds raised are intended to be used for general working capital and future business development and investments of the Group
- c) On 22 November 2016, the Company has issued 835,714,284 ordinary shares for acquiring 100% equity interest of Millhaven Holdings Limited.

## 17. EVENT AFTER THE REPORTING PERIOD

On 28 July 2017, Hoifu Energy Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Agreement to acquire i) the entire equity interest of the New Guangdong Merchants Investment Holding Group Limited and its subsidiaries (the "Target Group") and ii) the Sale Loan for a total consideration of RMB1,100,000,000 (equivalent to approximately HK\$1,272,040,000), which will be satisfied as to (a) RMB100,000,000 (equivalent to approximately HK\$115,640,000) in cash as a refundable deposit; and (b) RMB1,000,000,000 (equivalent to approximately HK\$1,156,400,000) by issue of the Convertible Note.

The major assets of the Target Group are the land use rights in four land parcels located in Donghai Avenue, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area and total planned gross floor area of 244,829 sq. m. and 896,900 sq. m. respectively.

The Target Group is wholly owned by Dr. Hui Chi Ming who is the director and controlling shareholder of the Company. A Special General Meeting will be held for the Independent Shareholders to consider the Agreement and the transactions contemplated thereunder.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

During the six months ended 30 June 2017, the total revenue for the Group was approximately HK\$97,955,000, representing an increase of approximately HK\$7,942,000 or 8.8% as compared with approximately HK\$90,013,000 in 2016. This was mainly due to the increase in trading of natural resources and petrochemicals.

For the six months ended 30 June 2017, the Company has turned around to a net profit from the net loss recorded for the six months ended 30 June 2016. The profit attributable to the owners of the Company for the six months ended 30 June 2017 was approximately HK\$159,501,000 (2016: approximately loss of HK\$15,593,000). The improvement was mainly resulted from the fair value change of investment property of approximately HK\$130 million (2016: Nil).

On the other hand, to reward the Company as a referrer in the sale and purchase of the minority interest of 45% Equity Interest of Hebei Panbao Zeolite Technology Company Limited (“Equity Interest”), Hoifu United Group Limited has agreed to pay the Company an introduction fee of RMB60.0 million. According to the relevant sale and purchase agreement (the “S&P”), RMB20.0 million (equivalent to approximately HK\$23.4 million) has been recognized as other income for the year ended 31 December 2016. The remaining RMB40.0 million (equivalent to approximately HK\$45.2 million) has also been recognized for the six months ended 30 June 2017 as the Equity interest has been completely transferred.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group’s unaudited consolidated revenue for the six months ended 30 June 2017 was approximately HK\$97.9 million (2016: HK\$90 million) representing an increase of 8.8% as compared to the same period of last year.

#### **Gross profit**

The resulting gross profit margin decreased from 34.80% for the six months ended 30 June 2016 to 25.6% for the six months ended 30 June 2017. The decrease was mainly due to the decrease in sales of higher profit margin product mix generated from Hebei Panbao Zeolite Technology Company Limited.

## **Other income**

The other income increased by approximately HK\$43.7 million from approximately HK\$3.4 million for the six months ended 30 June 2016 to approximately HK\$47.1 million for the six months ended 30 June 2017, primarily due to recognition of the introduction fee of rewarding Guangdong Hoifu (being the wholly-owned subsidiary of the Company) as a referrer in the sale and purchase of the 45% equity interest of Hebei Panbao Zeolite Technology Co., Ltd.

## **Other gains and losses**

During the period under review, the Group recorded other gains of approximately HK\$132 million (2016: other losses of approximately HK\$5.2 million). The other gains was mainly due to the fair value change of investment properties.

## **Administration expenses**

Administration expenses, which represented approximately 36.28% (2016: 36.18%) of the Group's revenue, increased by approximately 9% to approximately HK\$35.5 million for the six months ended 30 June 2017 from approximately HK\$32.6 million for the six months ended 30 June 2016. The increase was mainly due to the increase in the consultancy fee and legal and professional fees during the period under review.

## **Liquidity, financial resources and funding**

As at 30 June 2017, the Group had shareholders' funds of approximately HK\$953,494,000 (31 December 2016: HK\$771,836,000). The net current assets of the Group were HK\$347,122,000 (31 December 2016: HK\$235,257,000), which consisted of current assets of HK\$751,544,000 (31 December 2016: HK\$669,209,000) and current liabilities of HK\$404,422,000 (31 December 2016: HK\$433,952,000), representing a current ratio of approximately 1.86 (31 December 2016: 1.54).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, financial institutions and equity financing. During the period, the Group obtained short-term bank borrowings which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 30 June 2017, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$127,248,000 (31 December 2016: HK\$132,903,000).

## **BUSINESS REVIEW**

### **Mining and production of zeolite business**

The principal activities of Hebei Panbao Zeolite Technology Company Limited (“Hebei Panbao”) are mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products.

The sale of 45% equity interest of the Hebei Panbao to Hoifu United Group Limited, which was an independent third party before this transaction, from the original shareholder, Ms. Zhang Ling, was completed by the end of March 2017 and the profit guarantee provided by Hoifu United Group Limited started thereafter. Therefore, Hebei Panbao underwent a major transition during the period under review and the performance of Hebei Panbao was affected adversely. As a result, the revenue generated from Hebei Panbao has significantly decreased by 61.7% to approximately HK\$28.7 million for the six months ended 30 June 2017 from HK\$75 million for the six months ended 30 June 2016.

### **Investment property**

This business segment was established in December 2016 for the rental income of leasing the Property covers an area of approximately 16,360.03 sq.m. at the Rong Ning Yuan Community of No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, PRC, which includes (i) the 1st and 2nd floor of the commercial podium of Block 2 with an area of approximately 1,323.61 sq.m.; and (ii) the car park and storage rooms at the basement of Block 1 to Block 6 with an area of approximately 15,036.42 sq.m.. The car park comprises of two storey with a total of 384 parking spaces. Primely located between the Second Ring and Third Ring in Beijing.

The tenant has agreed to lease the entire area of the Property for a period of two years commencing from 15 June 2016 and ending on 15 June 2018 which amount to RMB28,000,000. Beside this, pursuant to another lease agreement on advertising signage board on the external walls of office building, the lease of the advertising signage board will provide the additional monthly rental income of RMB400,000 for a two-year period expiring on 15 July 2018.

For the six months ended 30 June 2017, these rental incomes have recorded approximately HK\$ 9.8 million (equivalent to RMB9 million) (2016: Nil).

## **Oil and gas and mineral mining business**

The Group owns 100% of the exploration, exploitation and operation rights as well as the profit sharing right of Madagascar Oilfield Block 2101 which is an onshore site with total area of 10,400 square kilometers in the northern part of Madagascar. Pursuant to the exploration, exploitation and oil and gas production sharing contract and depending on the rate of liquid petroleum production of Madagascar Oilfield Block 2101, the Group will share the remaining petroleum profit after government royalty and recovery of petroleum costs according to the sharing ratios in the range of 40% to 72.5% as set out in the profit sharing right.

The Group owns 65% interest in the rights granted under the Licence 253 in respect of Kenya Mine 253, an area of approximately 1,056 square kilometers situated in Kitui District Eastern Province, Kenya, and the Licence 341 in respect of Kenya Mine 341, an area of approximately 417 square kilometers situated in Nandi County, Kenya. Pursuant to the Licence 253 and relevant provisions of the Mining Act of Kenya, the Group is authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253. The Group was also granted the Licence 341 for prospecting and exploration of gold, iron ore and non-precious minerals in Kenya Mine 341.

In 2015, The Group entered into a contracting agreement for mining and stripping of copper and gold deposits with China Energy Guangxi Power Engineering Construction Co., Ltd. Pursuant to the Agreement, Guangxi Power Engineering shall be responsible for the engineering construction for mining and processing of Kenya Copper Mine 253 and Kenya Gold Mine 341, including the provision of management personnel, equipments and other facilities. The contracting fee shall be settled by cash, ordinary shares of the Company or convertible notes to be issued by the Company or any combination of the above.

## **Financial business**

The performance during the review period continued to show disappointment against the growth of the market indices which advanced by more than 10% in the review period. The revenue of the financial business of the Group reported declines by 26.13% from approximately HK\$14.90 million for the six months ended 30 June 2016 to approximately HK\$11 million for the six months ended 30 June 2017. It was mainly attributable to decrease in interest income from client and the advisory and consultancy fee.

The market initially still fell in range trading on the worry of the movement of US interest policy and the political and economic development in China before May 2017. Until the news of inclusion of China's domestic 'A' shares in the MSCI Emerging Markets index, the market saw clear uptrend as institutional buying entered for the rebalancing of their international portfolio next year. Yet, the buying only focused on a few big cap stocks and had not spilled over to across-the-board. On the contrary, the small counters had been hammered by the financial scandals, keeping the retail investors to be cautious and sidelined. Though the market indices still saw strong recent new highs thereafter, this concentration pattern of trading persisted and small counters remained to be weak and quiet.

## **MATERIAL ACQUISITION OR DISPOSAL**

The Group made no material acquisition or disposals during the period under review.

## **ISSUANCE OF CORPORATE BONDS**

In 23 May 2017, the Company announced to issue the Corporate Bonds in an aggregate principal amount of up to HK\$50 million bearing interest rate of 7% per annum with maturity ranging from 5 years to 7.5 years from the date of issue. The issuance of the Corporate Bonds will not result in any dilution on the shareholding of the existing shareholders of the Company.

As at 30 June 2017, the Company has issued of aggregate principal amount of HK\$11,000,000 (2016: Nil).

## **PROSPECT**

Building on the strategic adjustments of 2016, the Group have put forward a substantial move by entering into a sale and purchase agreement to acquire the land use right of four land parcels located in Donghai Avenue, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the People's Republic of China (the "PRC") (the "Acquisition"). The Acquisition signified the Group's intention to expand its business into property investment and development alongside its existing business. The management of the Group is of the view that the long-term prospect of the PRC property market is promising in view of the PRC's continuous economic growth, the rising early-stage urbanization, regional development boosted by city clusters and the continued increase in people's financial capability. The management believes that the recent strategic development of the Group will create long-term and strategic benefits to the Company.

## **CORPORATE GOVERNANCE**

The Company is aware of the importance that complying with the relevant statutory and regulatory requirements and maintaining good corporate governance standards are important to the effective and efficient operation of the Company. The Company has, therefore, adopted and implemented relevant measures to ensure that the relevant statutory and regulatory requirements are complied with and that a high standard of corporate governance practices is maintained.

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the “Code”), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report except for the deviation from code provision A.4.2. of the Code which every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-laws of the Company, the Chairman or Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. As continuation is a key factor to the successful implementation of any long-term business plans, the Board believes that the roles of Chairman and Managing Director provides the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategies, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

## **EXCHANGE RATE RISK**

The Group undertakes certain operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against RMB. We have not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

## **CONTINGENT LIABILITIES**

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 30 June 2017, no such facilities were utilised by the subsidiary to facilitate daily operation (31 December 2016: nil).



## **CHARGE ON ASSETS**

The Group held banking facilities from various banks as at 30 June 2017. The Group's banking facilities were secured by guarantees given by the Group's bank deposits and the Company. As at 30 June 2017, bank deposits amounting to approximately HK\$5,234,000 (31 December 2016: HK\$5,229,000) were pledged to secure banking facilities granted to a subsidiary.

## **CAPITAL STRUCTURE**

As at 30 June 2017, the total number of issued ordinary shares of the Company was 2,521,280,885 of HK\$0.10 each (31 December 2016: 2,521,280,885 shares of HK\$0.10 each).

## **APPOINTMENT OF EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTOR**

With effect from 1 July 2017 and 5 July 2017, Mr. Yim Kai Pung has been appointed as an Independent non-executive Director of the Company and Mr. Ren Qian has been appointed as an executive Director of the Company respectively.

## **HUMAN RESOURCES**

As at 30 June 2017, the Group employed a total of 297 staff (2016: 214) of which 24 were commission based (2016: 31) and the total related staff cost amounted to HK\$14,896,000 (2016: HK\$16,386,000). The Group's long term success rests primarily on the total integration of the company core value with the basic staff interest. In order to attract and retain high caliber staff, the Group provides competitive salary package and other benefits including mandatory provident fund, medical schemes and bonus. The future staff costs of the sales will be more directly linked to the performance of business turnover and profit. The Group maintained organic overhead expenses to support the basic operation and dynamic expansion of its business enabling the Group to respond flexibly with the changes of business environment.



## **INTERIM DIVIDEND**

The Board does not recommend payment of any interim dividend for the period ended 30 June 2017 (2016: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the six month period ended 30 June 2017, the Company has adopted the Model Code under Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code and the Code during the period under review.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") is composed of three independent non-executive Directors, namely Messrs. Kwan Wang Wai Alan, Ng Chi Kin David and Yim Kai Pung. The principal duties of the Audit Committee are to review, together with management and the Company's external auditor, the accounting principles and practices adopted by the Company and discuss internal controls and financial reporting matters.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee have reviewed the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the unaudited interim results announcement of the Company for the Period.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the websites of the Company at [www.hoifuenergy.com](http://www.hoifuenergy.com) under the section “Announcement” of Corporate Information and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) “Latest Listed Company Information”. The 2017 interim report will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**Hoifu Energy Group Limited**  
**Dr. Hui Chi Ming, G.B.S., J.P.**  
*Chairman*

Hong Kong, 31 August 2017

*As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises eight executive Directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Dr. Chui Say Hoe, Mr. Xu Jun Jia, Mr. Cao Yu, Mr. Ren Qian, Mr. Lam Kwok Hing, M.H., J.P., and Mr. Nam Kwok Lun; and four independent non-executive Directors, namely, Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan, Mr. Ng Chi Kin, David and Mr. Yim Kai Pung.*