Hoifu Energy Group Limited
凱富能源集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

ANNOUNCEMENT OF 2017 FINAL RESULTS

RESULTS

The Board of Directors (the "Board") of Hoifu Energy Group Limited (the "Company") announced that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000* (Re-presented)
Continuing operations			
Revenue	*4*	**97,065**	31,329
Cost of goods sold and direct cost		**(51,563)**	(4,384)
Gross profit		**45,502**	26,945
Other income	*5*	**2,271**	3,631
Other gains or losses	*6*	**132,954**	(2,593)
Selling and distribution expenses		**(1,082)**	(929)
Administrative expenses		**(71,750)**	(58,302)
Impairment loss on exploration and evaluation assets		**(2,886)**	(2,003)
Profit/(Loss) from operation		**105,009**	(33,251)
Finance costs	*8*	**(10,531)**	(6,358)
Profit/(Loss) before taxation		**94,478**	(39,609)
Taxation	*9*	**(31,896)**	673
Profit/(Loss) for the year from continuing operations	*10*	**62,582**	(38,936)

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Discontinued operations			
(Loss)/Profit for the year from discontinued operations	*11*	**(100,079)**	42,081
(Loss)/Profit for the year		**(37,497)**	3,145
Other comprehensive (expenses)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange reserve movement			
Exchange differences arising on translation		**(57,370)**	(31,719)
Fair value (loss)/gain on available-for-sale securities		**(342)**	144
Other comprehensive (expenses)/income for the year		**(57,712)**	(31,575)
Total comprehensive (expenses)/income for the year		**(95,209)**	(28,430)
Profit/(Loss) for the year attributable to owners of the Company			
from continuing operations		**61,976**	(39,777)
from discontinued operations		**(50,312)**	35,156
Profit/(Loss) for the year attributable to owners of the Company		**11,664**	(4,621)
Profit/(Loss) for the year attributable to non-controlling interests			
from continuing operations		**606**	841
from discontinued operations		**(49,767)**	6,925
(Loss)/Profit for the year attributable to non-controlling interests		**(49,161)**	7,766
		37,497	3,145
Total comprehensive (expenses)/income attributable to:			
Owners of the Company		**15,495**	(21,027)
Non-controlling interests		**(110,704)**	(7,403)
		(95,209)	(28,430)
Earning/(Loss) per share			
From continuing and discontinued operations			
– Basic and diluted	*12*	**HK$0.0046**	HK$(0.0026)
From continuing operations			
– Basic and diluted	*12*	**HK$(0.0246)**	HK$(0.0227)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Fixed assets		**120,572**	177,230
Investment properties		**598,151**	432,639
Intangible assets		**1,401**	43,782
Exploration and evaluation assets		**–**	2,886
Available-for-sale securities		**1,098**	1,440
Deposit paid for acquisition of a subsidiary		**118,757**	–
Statutory deposits		**4,057**	4,055
Loans receivable		**21,975**	12,483
Prepaid land leases		**–**	6,546
		866,011	681,061
Current assets			
Inventories		**–**	57,062
Prepaid land leases		**–**	169
Accounts receivable	*14*	**119,286**	138,993
Loans receivable		**1,480**	127
Other receivables, prepayments and deposits		**7,681**	177,910
Amount due from director		**147**	–
Pledged fixed deposits (general accounts)		**5,239**	5,229
Bank balances (trust and segregated accounts)		**163,219**	156,816
Bank balances (general accounts) and cash		**164,679**	132,903
		461,731	669,209
Assets associated with disposal group held for sale		**318,821**	–
		780,552	669,209

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Current liabilities			
Accounts payable	*15*	**168,107**	174,237
Other payables and accrued expenses		**37,891**	93,837
Amounts due to Directors		**85,305**	153,638
Tax payable		**156**	12,240
		291,459	433,952
Liabilities associated with disposal group held for sale		**133,403**	–
		424,862	433,952
Net current assets		**355,690**	235,257
Total assets less current liabilities		**1,221,701**	916,318
Non-current liability			
Deferred tax liability		**33,025**	11,911
Corporate bonds		**19,312**	–
Borrowings		**311,005**	–
		363,342	11,911
Net assets		**858,359**	904,407
Capital and reserves			
Share capital	*16*	**252,128**	252,128
Reserves		**584,364**	519,708
Equity attributable to owners of the Company		**836,492**	771,836
Non-controlling interests		**21,867**	132,571
Total equity		**858,359**	904,407

NOTES:

1. GENERAL

The Company is an exempted company incorporated under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate and immediate holding company is Triumph Energy Group Limited, a company incorporated in the British Virgin Islands ("BVI").

The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the Company and its subsidiaries (together the "Group"). The Company is an investment holding company. The principal activities of the Group are (1) the trading of natural resources and petrochemicals; (2) mineral mining, oil and gas exploration and production, (3) the provision of financial services and (4) property investment. During the year, the operation of mineral mining in the PRC was discontinued (See note 11).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and most of its subsidiaries.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule").

The consolidated financial statements have been prepared under historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised standards and interpretations

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Amendments to HKAS 7 Disclosure Initiative (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

The Directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. REVENUE

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Sales of natural resources and petrochemicals	**47,704**	–
Rental income	**23,860**	5,125
Commission and brokerage income	**15,160**	10,987
Interest income arising from financial business	**8,460**	9,951
Advisory and consultancy fee	**1,881**	5,266
	97,065	31,329

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Interest income from bank	**–**	1
Sundry income	**415**	1,256
Handling charge income	**1,712**	1,456
Placing income	**–**	800
Dividend income	**144**	118
	2,271	3,631

6. OTHER GAINS OR LOSSES

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Reversal/(Provision) of allowance for bad and doubtful debts	**2,515**	2,512
Net exchange gain/(loss)	**19**	(5,105)
Fair value change on investment properties	**130,420**	–
	132,954	(2,593)

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the nature of the products provided and services rendered.

During the year ended 31 December 2017, certain operating segments have been introduced, the chief operating decision maker have re-organised the business activities of the Group into four reportable segments accordingly – (1) trading business, (2) mineral mining, oil and gas business (3) financial business and (4) property investment. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to segments and to access their performance.

Trading business	–	sales of natural resources and petrochemicals
Mineral mining, oil and gas business	–	exploration and production of mineral, oil and gas
Financial business	–	provision of financial service, including stockbroking, futures and options broking, mutual funds, insurance-linked investment plans and provision of corporate financial services and immigration consultancy services, and securities margin financing
Property investment	–	rental income

An operating segment regarding the mineral mining in the PRC was discontinued in the current year. The segment information reported on the following does not include any amounts for these discontinued operation, which are described in more detail in note 11.

7. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by segment.

For the year ended 31 December 2017

	Trading business *HK$'000*	**Mineral mining, oil and gas business** *HK$'000*	**Financial business** *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
REVENUE					
Segment revenue	**47,705**	**–**	**25,501**	**23,859**	**97,065**
RESULTS					
Segment profit/(loss)	**265**	**(5,392)**	**36**	**151,288**	**146,197**
Corporate administration costs					**(51,719)**
Profit before taxation from continuing operations					**94,478**

For the year ended 31 December 2016

	Trading business *HK$'000*	Mineral mining, oil and gas business *HK$'000*	Financial business *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
REVENUE					
Segment revenue	–	–	26,204	5,125	31,329
RESULTS					
Segment profit/(loss)	756	(5,849)	2,904	(1,910)	(4,099)
Corporate administration costs					(35,510)
Profit/(loss) before taxation from continuing operations					(39,609)

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the financial results by each segment without allocation of corporate administration costs. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

At 31 December 2017

	Trading business *HK$'000*	Mineral mining, oil and gas business *HK$'000*	Financial business *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	**705**	**1,405**	**334,088**	**167,881**	**504,079**
Unallocated assets					**823,663**
Assets relating to the discontinued operations					**318,821**
Consolidated total assets					**1,646,563**
LIABILITIES					
Segment liabilities	**24**	**753**	**276,258**	**32,699**	**309,734**
Unallocated liabilities					**345,067**
Liabilities relating to the discontinued operations					**133,403**
Consolidated total liabilities					**788,204**

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2016

	Trading business *HK$'000*	Mineral mining, oil and gas business *HK$'000*	Financial business *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	78	6,694	322,510	560,810	890,092
Unallocated assets					34,897
Assets relating to the discontinued operations					425,281
Consolidated total assets					1,350,270
LIABILITIES					
Segment liabilities	24	1,473	264,387	4,700	270,584
Unallocated liabilities					74,701
Liabilities relating to the discontinued operations					100,578
Consolidated total liabilities					445,863

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than bank balances and cash for administrative purpose and other assets including other receivables, prepayments and deposits of head office.

– all liabilities are allocated to operating segments, other payables and accrued expenses in relation to corporate administration costs.

7. SEGMENT INFORMATION (Continued)

Other segment information

	Trading business HK$'000	Mineral mining, oil and gas business HK$'000	Financial business HK$'000	Property investment HK$'000	Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Continuing operation							
For the year ended 31 December 2017							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions to fixed assets	**–**	**–**	**–**	**18**	**18**	**13**	**31**
Impairment loss on exploration and evaluation assets	**–**	**2,886**	**–**	**–**	**2,886**	**–**	**2,886**
Amortisation	**–**	**2,403**	**–**	**–**	**2,403**	**–**	**2,403**
Depreciation	**–**	**–**	**285**	**4,396**	**4,681**	**452**	**5,133**
Reversal of allowance for bad and doubtful debts	**–**	**–**	**(3)**	**–**	**(3)**	**–**	**(3)**
Finance costs	**–**	**–**	**5,133**	**–**	**5,133**	**5,398**	**10,531**
Interest income	**–**	**–**	**(8,460)**	**–**	**(8,460)**	**–**	**(8,460)**

	Trading business HK$'000	Mineral mining, oil and gas business HK$'000	Financial business HK$'000	Property investment HK$'000	Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Continuing operation							
For the year ended 31 December 2016							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions to fixed assets	–	–	924	19	943	92	1,035
Impairment loss on exploration and evaluation assets	–	2,003	–	–	2,003	–	2,003
Amortisation	–	2,403	–	–	2,403	–	2,403
Depreciation	–	–	282	4,441	4,723	402	5,125
Reversal of allowance for bad and doubtful debts	–	–	(2,512)	–	(2,512)	–	(2,512)
Finance costs	–	–	4,508	–	4,508	1,851	6,359
Interest income	–	–	(9,951)	–	(9,951)	–	(9,951)

7. SEGMENT INFORMATION (Continued)

Geographical information

All of the activities of trading business are based in China and Hong Kong. The activities of mineral mining is based in Kenya and China, while oil and gas business are based in Tunisia and Madagascar. All of the activities of the financial business are based in Hong Kong.

The Group's revenue from continuing operations and its non-current assets, other than available-for-sales securities, statutory deposits and loans receivables, by geographical location of the assets regarding its operations are detailed below:

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**25,501**	26,204	**120,083**	6,105
Tunisia	**–**	–	**–**	2,886
Kenya	**–**	–	**1,401**	3,804
PRC	**69,815**	2,201	**598,186**	432,640
Madagascar	**1,749**	2,924	**119,211**	123,585
	97,065	31,329	**838,881**	569,020

Information about major customer

Revenue from customers of the year from continuing operations ended 31 December 2017 and 2016 contributing over 10% of the total revenue of the Group are generated from mining business as follow:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**47,705**	–
Customer B	**15,455**	N/A

There is no single customer contributing over 10% of total revenue from continuing operations of the Group for the years ended 31 December 2017 and 2016.

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings wholly repayable within five years:		
Corporate bonds	**856**	–
Borrowing	**4,791**	–
Bank borrowings and bank overdrafts	**–**	6
Amounts due to directors	**4,884**	6,352
	10,531	6,358

9. TAXATION

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Current tax – enterprise income tax provision for the year	**12**	664
Deferred tax – origination and reversal of temporary difference	**31,884**	(1,337)
	31,896	(673)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2017 and 2016 as the relevant group entities have no assessable profits or the assessable profit is wholly absorbed by tax losses brought forward for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for profits tax is made in other jurisdictions as the subsidiaries operating in other jurisdictions have no assessable profits for both years.

10. PROFIT/(LOSS) FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Profit/(Loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,265**	1,180
Amortisation	**2,403**	2,403
Depreciation	**5,133**	7,724
Staff cost, including Directors' remuneration	**28,691**	27,674
Contributions to retirement benefits scheme (included in staff costs)	**692**	764
Cost of inventories recognised as expense	**47,276**	–
Loss/(Gain) from error trades	**17**	(3)
Interest income on bank deposits (included in other income)	**(28)**	–
Operating lease in respect of office premises	**5,748**	6,912

11. DISCONTINUED OPERATIONS

During the year ended 31 December 2017, the directors resolved to dispose of the Group's operation in mineral mining operation in the PRC. Negotiations with several interested parties have subsequently taken place. The asset and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sales and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The (loss)/profit for the year from the discontinued mineral mining operation in the PRC is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the mineral mining operation in the PRC as a discontinued operation.

11. DISCONTINUED OPERATIONS (Continued)

	2017	2016
	HK$'000	*HK$'000*
Revenue	**–**	105,240
Cost of sales	**–**	(62,323)
Gross profit	**–**	42,917
Other income	**12,573**	23,262
Other gain or loss	**1,772**	(708)
Selling and distribution expenses	**(1,263)**	(119)
Administrative expenses	**(112,889)**	(15,118)
(Loss)/Profit from operation	**(99,807)**	50,234
Finance cost	**(3)**	(98)
(Loss)/Profit before taxation	**(99,810)**	50,136
Taxation	**(269)**	(8,055)
(Loss)/Profit for the year	**(100,079)**	42,081
(Loss)/Profit for the year from discontinued operations including the following:		
Depreciation	**24**	741
Amortisation	**174**	2,646
Interest income	**(9)**	(7)

12. LOSS PER SHARE

From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic loss per share	**61,976**	(39,777)

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,521,280**	**1,749,158**

12. LOSS PER SHARE (Continued)

No diluted loss per share was presented as there were no potential ordinary shares during the year ended 31 December 2017 and 2016.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earning/(loss):		
Earning/(loss) for the purposes of basic and diluted loss per share	**11,664**	(4,621)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,521,280**	1,749,158

The computation of diluted earnings/(loss) per share has considered and does not assume the exercise of the Company's share options for the years ended 31 December 2017 and December 2016 because the exercise price of those share options was higher than the average market price of the shares and were considered to have anti-dilutive effects.

From discontinued operations

Basic and diluted earning/(loss) per share for the discontinued operation is HK$2.00 cents per share (2016: HK$2.01 cents per share), based on the profit/(loss) for the year from the discontinued operation of approximately HK$50,312 (2016: HK$35,156) and the denominators detailed above for both basic and diluted loss per share.

13. DIVIDEND

The Directors do not recommend the payment of a final dividend for both years.

14. ACCOUNTS RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Accounts receivable consist of:		
Accounts receivable arising from business of trading natural resource and petrochemical	**629**	–
Accounts receivable arising from business of properties investment	**24,604**	1,681
Accounts receivable arising from mineral business	**–**	56,855
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	**15,841**	17,275
Less: Allowance for doubtful debts	**(941)**	(4,296)
	14,900	12,979
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**2,811**	4,086
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**1,390**	3,416
Loans to securities margin clients	**75,003**	58,951
Less: Allowance for doubtful debts	**(57)**	(63)
	74,946	58,888
Accounts receivable arising from the business of advisory for financial management	**851**	1,088
Less: Allowance for doubtful debts	**(845)**	–
	6	–
	119,286	138,993

14. ACCOUNTS RECEIVABLE (Continued)

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

Accounts receivable from mineral business

	2017	2016
	HK$'000	*HK$'000*
0 – 180 days	**–**	55,938
More than 180 days	**–**	917
	–	56,855

Included in the accounts receivable from mineral business is HK$Nil (2016: HK$56,855,000) which is denominated in RMB, a functional currency of the relevant group entity.

The average credit period for accounts receivable from investment property business is 30 days. The accounts receivable from investment property business aged within 90 days, which is denominated in RMB, a functional currency of the relevant group entity.

The settlement terms of accounts receivable from cash clients, HKSCC, HKFECC and brokers are usually one to two days after the trade date. Except for the accounts receivable from cash clients as mentioned below, the accounts receivable from HKSCC and HKFECC aged within 30 days.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

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% per annum for both years. 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$84,410,000 (2016: HK$194,491,000). The average percentage of collateral over the outstanding balance as at 31 December 2017 is ranged from 118% to 6,828% (2016: 113% to 7,467%). The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customer default the payment as requested by the Group. The Group had provided the allowance for doubtful debts for securities margin clients with reference to the portfolio held and the subsequent settlement of each customer.

14. ACCOUNTS RECEIVABLE (Continued)

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

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**6**	243
More than 90 days	**–**	845
	6	1,088

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:

Accounts receivable from cash clients

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**14,646**	11,175
91 – 180 days	**254**	1,804
	14,900	12,979

The accounts receivable from cash clients with a carrying amount of approximately HK$3,659,000 (2016: HK$6,139,000) are past due but not impaired at the end of the reporting period. The average age of the amount past due but not impaired is within 30 days (2016: within 30 days). In the opinion of the Directors, no significant accounts receivable from advisory for financial management clients and cash clients are impaired at 31 December 2017 and 2016 with reference to the subsequent settlement received after the end of the reporting period.

14. ACCOUNTS RECEIVABLE (Continued)

Movement in the allowance for doubtful debts of cash clients

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,296**	6,786
Provided for the year	**–**	–
Amounts recovered during the year	**(1)**	(2,489)
Amounts written off as uncollectible	**(3,354)**	(1)
Balance at end of year	**941**	4,296

Movement in the allowance for doubtful debts of securities margin clients

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**63**	86
Provided for the year	**5**	15
Amounts recovered during the year	**(11)**	(38)
Balance at end of the year	**57**	63

Movement in the allowance for doubtful debts of advisory for financial management clients

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Provided for the year	**845**	–
Amounts recovered during the year	**–**	–
Balance at end of the year	**845**	–

Included in the allowance for doubtful debts of cash clients, securities margin clients and advisory for financial management clients are individually impaired accounts receivable due from clients who have been in severe financial difficulties. For the securities margin clients, the amount was arrived at after considering the proceeds from disposal of respective pledged marketable securities held by the Group.

14. ACCOUNTS RECEIVABLE (Continued)

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date credit was initially granted, subsequent settlement and the fair value of pledged marketable securities up to the reporting date. In the opinion of the Directors, there is no further credit provision required in excess of existing allowance for doubtful debtors.

15. ACCOUNTS PAYABLE

	2017	2016
	HK$'000	*HK$'000*
Accounts payable from mineral business	**–**	4,301
Accounts payable from properties investment	**33**	–
Accounts payable arising from the business of dealing in securities:		
– Cash clients	**159,252**	157,198
– HKSCC	**3,403**	3,769
Accounts payable to clients arising from the business of dealing in futures contracts	**2,543**	3,797
Amounts due to securities margin clients	**2,873**	5,172
Accounts payable arising from the business of advisory for financial management	**3**	–
	168,107	174,237

The settlement term of accounts payable to cash clients 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 tradings of futures contracts on HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by 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 approximately HK$163,219,000 (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.

15. ACCOUNTS PAYABLE (Continued)

Accounts payable from mineral business

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**–**	830
90 – 180 days	**–**	3,471
	–	4,301

Accounts payable from properties investment

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**33**	–

Included in the accounts payable from properties investment is HK$33,000 (2016: HK$Nil) which is denominated in MGA, a functional currency of the relevant group entity.

16. SHARE CAPITAL

	Number of shares	
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 December 2016 and 2017	**10,000,000**	1,000,000
Issued and fully paid:		
At 1 January 2016	**1,650,238**	165,024
Share repurchased and cancelled *(note a)*	**(14,672)**	(1,467)
Issue on 28 July 2016 *(note b)*	**50,000**	5,000
Issued in consideration for the acquisition *(note c)*	**835,714**	83,571
At 31 December 2016 and 2017	**2,521,280**	252,128

16. SHARE CAPITAL (Continued)

Notes:

a) During the year ended 31 December 2016, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follow:

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

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

b) Pursuant to subscription agreement dated 14 July 2016 entered into between an independent third 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) During the year ended 31 December 2016, the Company has issued 835,714,284 ordinary shares for acquiring 100% equity interest of Millhaven Holdings Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2017, the Group's revenue of continuing operation amounted to approximately HK$97,065,000, compared to approximately HK$31,329,000 for 2016, representing an increase of approximately HK$65,736,000.

The Group's consolidated profit attributable to the owners of the Company for 2017 amounted to approximately HK$11,664,000, compared to the loss of HK$4,621,000 for 2016.

In view of the uncertain prospect of Hebei Panbao Zeolite Technology Co., Ltd *（河北攀寶沸石科技有限公司）("Hebei Panbao"), the Company decided to dispose 55% equity interest in Hebei Panbao. The asset and liabilities attributable to such business have been classified as a disposal group held for sales.

BUSINESS REVIEW & PROSPECT

Mining and production of zeolite business

Hebei Panbao reported a disappointed performance as it did not make any contribution for the year ended 31 December 2017 (2016: approximately HK$105,240,000).

During the year, the transfer of 45% equity interests in Hebei Panbao to Kaifu Chuangtong United Holdings Group Limited*（凱富創通聯合控股集團有限公司）, which was designated by Hoifu United Group Limited（凱富聯合集團有限公司）, has been completed in accordance with the amended agreement in March 2017. Following which, the new management team had taken over the operation of the Hebei Panbao. Unfortunately, the new management disappointed everyone and under their inefficient supervision, the Hebei Panbao started to incurred significant loss for the first time since it became a subsidiary of the Group.

Except for partial payment of introduction fee which is amounting to HKD30 million, Hoifu United Group Limited failed to fulfil its payment obligations under the agreement and legal actions have been taken by the Group on 8 November 2017 claiming for, among others, (i) the payment of the relevant guaranteed profit; (ii) interests on the said sum; and (iii) costs.

* *For identification purpose only*

As disclosed in the announcement of the Company dated 23 January 2018, as advised by Zhang Ling, the transfer of 45% equity interests in Hebei Panbao to Kaifu Chuangtong United Holdings Group Limited*（凱富創通聯合控股集團有限公司）, which was designated by Hoifu United Group Limited（凱富聯合集團有限公司）, has been completed in accordance with the Amended Agreement in March 2017. Following which, Zhang Ling only received RMB69 million of the agreed payment of the equity interest transaction, and has not received the remaining agreed payment of the equity interest transfer of RMB131 million. After several failed attempts to collect the remaining payment, Zhang Ling has initiated litigation procedures to claim against (1) Hoifu United Group Limited（凱富聯合集團有限公司）and its guarantors, namely Weng Tao（翁濤）and Ji Hailin（嵇海林）and (2) Kaifu Chuangtong United Holdings Group Limited*（凱富創通聯合控股集團有限公司）and its shareholders and directors, namely Weng Tao（翁濤）and Ji Hailin（嵇海林）, at the Zhangjiakou Intermediate People's Court of Hebei Province. According to the litigation procedures and the court order, the arbitration and negotiation in relation to the agreed payment of equity interest transaction and the termination of the equity transfer agreement, as well as the demand for responsibility of both parties such as the restoration of the equity interests, are in progress by the representatives of both parties. In the event that the representatives of both parties fail to reach a consensus within the timeframe for arbitration as designated by the court, trial will proceed before the court and a judgement will be made according to the laws. As such, it is anticipated that the overall performance of Hebei Panbao will be adversely affected.

Investment property

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.

* *For identification purpose only*

These rental incomes have consolidated into the Group's revenue since the end of 2016. 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.

Apart from the rental income, the Group recorded the unrealized fair value gains on this investment properties of approximately HK$130,420,000.

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. Both Licence 253 and 341 have renewed during the year and the expiry dates are 14 May 2020 and 2 January 2020 respectively.

Financial Business

The performance during the year ended with positive figure mainly attributing to the increase of turnover near the yearend. The revenue of this segment remained stable which amounted to HK$25,501,000 for 2017, compared to HK$26,204,000 for 2016.

Retail participation increased only near the end of the year when the global sentiment was boosted up by the implementation of substantial tax cut of USA. Though the HS Index advanced upward on the back of strong USA market, turnover concentrated on a few big high technology stocks.

Nevertheless, the investors remained cautious on the issue of economic development of China, the regional tensions in Asia region, the uncertain interest rate policy of USA for the most time of the year. Market still looks to be active across to 2018 as the Stock Exchange of Hong Kong will carry out more reforms to release the listing restrictions to attract more big technology companies, bio-chemical stocks and possible big companies already listed in mature overseas markets.

In 2016, the Group entered into a promoters' agreement to set up a joint venture securities company (the "JV Securities Company") in Guangzhou Pilot Free Trade Zone, Nanshan area under the framework of CEPA. The Group conditionally agreed to invest RMB350 million in the JV Securities Company by way of subscription of 350,000,000 shares of the JV Securities Company, representing 10% equity interest thereof for an aggregate subscription price of RMB350 million (the "JV Investment"). The JV Investment would offer a first-starter advantage to the Company to access to the huge and fast-growing financial markets in the PRC. The setup of the JV securities Company is subject to the approval of China Securities Regulatory Commission (the "CSRC"). The formal application was made to the CSRC on 16 June 2016. The application is still being processed.

Prospect

Building on the investment strategic adjustments of 2017, the Group will seek to expand its business into property investment and development alongside its existing energy-related and financial services business. The Group's enlarging and strengthening financial operation and property investment business will benefit the Company's future business development beyond the energy-related sector and is in the best interests of the Company and the Shareholders as a whole.

FINANCIAL REVIEW

Revenue

During the financial year, the total revenue for the Group of continuing operation was approximately HK$97,065,000, representing an increase of approximately HK$65,736,000 as compared with approximately HK31,329,000 in 2016. This was mainly due to the increase of sale natural resources and petrochemicals during the year.

Administration expenses

Administrative expenses increased to approximately HK$71,750,000 in 2017 from approximately HK$58,302,000 in 2016, representing a year-on-year increase of 23%. It was due to the increase of staff cost, office expenses as well as legal and professional fees on acquisitions during the year.

Other gains and losses

During the year, the Group recorded unrealized fair value gain on investment property in Beijing of approximately HK$130,420,000 (2016: Nil).

EVENTS AFTER REPORTING DATE

Material acquisition

On 28 July 2017, Hoifu Energy Holdings Limited, a wholly-owned subsidiary of the Group, entered into the Agreement to acquire i) the entire equity interest of the New Guangdong Merchants Investment Holding Group Limited (the "Target") 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 approximately 1,300,000 sq.m. respectively.

The Target Group is wholly owned by Dr. Hui Chi Ming who is the director and controlling shareholder of the Company. The Special General Meeting was held on 13 February 2018 for the Independent Shareholders to consider and approve the agreement and the transactions.

As at 28 February 2018, all conditions precedent under the Agreement have been fulfilled and the Target has become an indirect wholly-owned subsidiary of the Company and the assets, liabilities and financial results of the Target Group will be consolidated into the year of 2018 financial statements of the Group.

Based on the growth trend in housing price in Zhanjiang, the Company is of the view that the value of the land will increase significantly in next year.

Change of the Company Name

On 13 February 2018, the Company announced to propose to change of the Company Name from "Hoifu Energy Holdings Limited" to "Hong Kong Finance Investment Holding Group Limited" and the adoption of the Chinese name of "香港金融投資控股集團有限公司" as the dual foreign name of the Company in place of its existing Chinese name "凱富能源集團有限公司". The special resolution to approve the change of the Company name was duly passed on 29 March 2018 by way of poll. Further announcement will be made by the Company upon the Change of Company Name becoming effective.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2017, the Group's cash and cash equivalents (excluding the restricted cash) were approximately HK$164,679,000 (2016: approximately HK$132,903,000).

The net current assets of the Group (without the disposal group held for sale) were HK$170,272,000 (31 December 2016: HK$235,257,000), which consisted of current assets of HK$461,731,000 (31 December 2016: HK$669,209,000) and current liabilities of HK$291,459,000 (31 December 2016: HK$433,952,000), representing a current ratio of approximately 1.58 (31 December 2016: 1.54).

The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. As at 31 December 2017, the Group's other borrowings and corporate bonds amounted to approximately HK$330,317,000 (31 December 2016: Nil).

The gearing ratio of the Group as at 31 December 2017 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 0.38 (31 December 2016: Nil).

CORPORATE BONDS

During the year, the Group has issued the Corporate Bonds in an aggregate principal amount of HK$21 million bearing interest rate of 7% per annum with maximum maturity to 7.5 years from the date of issue. Such bonds are subsequently measured at amortised cost using effective interest method. Imputed interest of approximately HK$856,000 was recognised in the profit or loss during the year. (2016: Nil). The issuance of the Corporate Bonds will not result in any dilution on the shareholding of the existing shareholders of the Group.

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.

FINANCE COSTS

The Group's finance costs consisted mainly of interest expenses on corporate bonds, term loan and other borrowings. The aggregate amount of interest incurred was approximately HK$10,531,000 (2016: approximately HK$6,360,000) for the year.

CONTINGENT LIABILITIES

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

CHARGE ON ASSETS

As at 31 December 2017, the term loan of HKD250 million were secured by (i) the guarantee from Guangdong Hoifu Wai Yip Investment Management Limited（廣東凱富偉業投資管理有限公司）; (ii) the personal guarantee from the Guarantor (Dr. Hui Chi Ming) and Beijing Yinghe Property Development Limited（北京盈和房地產綜合開發有限公司）respectively; and (iii) the charge/pledge to be granted by several subsidiaries of the Company.

On the other hand, the Group held banking facilities from various banks as at 31 December 2017. The Group's banking facilities were secured by guarantees given by the Group's bank deposits and the Company. As at 31 December 2017, bank deposits amounting to approximately HK$5,239,000 (31 December 2016: HK$5,229,000) were pledged to secure banking facilities granted to a subsidiary.

PURSUANT TO RULE 13.18 OF THE LISTING RULES

The Company obtained a term loan facility in an aggregate amount of HK$250,000,000 for a term of 36 months during the year. Pursuant to the terms of the facility agreement, the occurrence of change of control event constitutes an event of default which the Lender may cancel the facility.

HUMAN RESOURCES

As at 31 December 2017, the Group employed a total of 293 staff (2016: 355) of which 20 were commission based (2016: 26) and the total related staff cost amounted to HK$29,383,000 (2016: HK$28,438,000). 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.

CAPITAL STRUCTURE

As at 31 December 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 NONEXECUTIVE 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.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the financial year, 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 financial year.

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.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDIT COMMITTEE AND AUDITOR

The Audit Committee has reviewed with the management of the Company and the Group's auditor, Elite Partners CPA Limited, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the annual results announcement of the Company for the Year.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

PUBLICATION OF 2017 FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2017 final results announcement is published on the website of the Company at www. hoifuenergy.com under the section "Announcement" of Corporate Information and Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk "Latest Listed Company Information". The 2017 final 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, 29 March 2018

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.