香港金融集團

HONG KONG FINANCE INVESTMENT HOLDING GROUP LIMITED

香港金融投資控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

The Board of Directors (the "Board") of Hong Kong Finance Investment Holdings Limited (Formerly known as "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 2018 together with the comparative figures for the six months ended 30 June 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six Months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*3*	**137,558**	69,212
Cost of goods sold and direct cost		**(108,929)**	(49,041)
Gross profit		**28,629**	20,171
Other income		**1,127**	739
Other gains or losses	*4*	**4,393,365**	131,723
Selling and distribution expenses		**(602)**	(503)
Administrative expenses		**(34,469)**	(29,463)
Profit from operation		**4,388,050**	122,667
Finance costs	*6*	**(15,176)**	(3,378)
Profit before taxation	*7*	**4,372,874**	119,289
Taxation	*8*	**(1,098,670)**	(3,564)
Profit for the period from continuing operations		**3,274,204**	115,725

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

For the six months ended 30 June 2018

	Notes	Six Months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Re-presented) (Unaudited)
Discontinued operations			
Loss for the period from discontinued operations		**(418)**	(19,544)
Profit for the period		**3,273,786**	96,181
Other comprehensive (expenses)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(227,024)**	23,576
Fair value gain on available-for-sale securities		**–**	36
Items that will not be reclassified to profit or loss:			
Fair value gain on investment in equity instruments		**(18)**	–
Other comprehensive (expenses)/income for the period		**(227,042)**	23,612
Total comprehensive income for the period		**3,046,744**	119,793
Profit/(loss) for the period attributable to owners of the Company:			
from continuing operations		**3,272,048**	115,098
from discontinued operations		**(418)**	(5,928)
Profit for the period attributable to owners of the Company		**3,271,630**	109,170
Profit/(loss) for the period attributable to non-controlling interests:			
from continuing operations		**2,156**	627
from discontinued operations		**–**	(13,616)
Profit/(loss) for the period attributable to non-controlling interests		**2,156**	(12,989)
		3,273,786	96,181
Total comprehensive income for the period attributable to:			
Owners of the Company		**3,044,498**	131,028
Non-controlling interests		**2,246**	(11,235)
		3,046,744	119,793
Earnings per share	*11*		
From continuing and discontinued operations			
– Basic and diluted		**1.082**	0.043
From continuing operations			
– Basic and diluted		**1.082**	0.046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 *HK$'000* (Unaudited)**	31 December 2017 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**244,622**	120,572
Investment properties	*12*	**6,241,826**	598,151
Intangible assets		**200**	1,401
Investment in equity instrument/ Available-for-sale securities		**1,080**	1,098
Deposit paid for acquisition of a subsidiary		**–**	118,757
Statutory deposits		**4,075**	4,057
Loans receivable		**20,000**	21,975
		6,511,803	866,011
CURRENT ASSETS			
Inventories		**861,060**	–
Accounts receivable	*13*	**131,842**	128,694
Loans receivable		**349**	1,480
Other receivables, prepayments and deposits		**32,988**	7,827
Pledged fixed deposits (general accounts)	*14*	**5,242**	5,239
Bank balances (trust and segregated accounts)		**170,545**	163,219
Bank balances (general account) and cash		**51,090**	164,679
		1,253,116	471,138
Assets classified as disposal group held for sales	*9*	**330,776**	318,821
		1,583,892	789,959

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2018

	Notes	**30 June 2018 *HK$'000* (Unaudited)**	31 December 2017 *HK$'000* (Audited)
CURRENT LIABILITIES			
Accounts payable	*15*	**229,500**	177,514
Other payables and accrued expenses		**32,082**	37,891
Amount due to Directors		**70,012**	85,305
Tax payables		**107**	156
		331,701	300,866
Liabilities associated with disposal group held for sales	*9*	**147,083**	133,403
		478,784	434,269
NET CURRENT ASSETS		**1,105,108**	355,690
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,616,911**	1,221,701
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,092,713**	33,025
Corporate bonds		**20,317**	19,312
Convertible bonds		**108,140**	–
Borrowings		**318,764**	311,005
		1,539,934	363,342
Net assets		**6,076,977**	858,359
CAPITAL AND RESERVES			
Share capital	*16*	**400,000**	252,128
Reserves		**5,652,864**	584,364
Equity attributable to owners of the Company		**6,052,864**	836,492
Non-controlling interests		**24,113**	21,867
Total equity		**6,076,977**	858,359

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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, provision of financial services and property investment. During the period, the operation of mineral mining in the PRC was discontinued.

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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRS issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

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	
	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
	(Unaudited)	(Unaudited)
Continuing operations		
Sales of natural resources and petrochemicals	**–**	47,704
Sales of electronic products	**111,409**	–
Rental income	**11,440**	10,499
Commission and brokerage income	**9,158**	5,974
Interest income arising from financial business	**4,501**	3,630
Advisory and consultancy fee	**1,050**	1,405
	137,558	69,212

4. OTHER GAINS OR LOSSES

	Six Months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
	(Unaudited)	(Unaudited)
Continuing operations		
(Provision)/Reversal of allowance for bad and doubtful debts	**(183)**	1,495
Net exchange gain/(loss)	**–**	22
Fair value change on investment properties	**4,394,245**	130,206
Fair value change on convertible bonds	**(431)**	–
Loss of redemption of convertible bonds	**(266)**	–
	4,393,365	131,723

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 2018:

	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	**111,409**	**–**	**14,709**	**11,440**	**137,558**
Segment profit/(loss)	**4,636**	**(1,385)**	**1,280**	**9,275**	**13,806**
Other income					**1,127**
Fair value change of investment properties					**4,394,245**
Corporate and administration costs					**(36,304)**
Profit before taxation from continuing operations					**4,372,874**

For the six months ended 30 June 2017 (Re-presented):

	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	47,704	–	11,009	10,499	69,212
Segment profit/(loss)	374	(1,551)	586	6,492	5,901
Other income					739
Fair value change of investment properties					130,206
Corporate and administration costs					(17,557)
Profit before taxation from continuing operations					119,289

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	
	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
	(Unaudited)	(Unaudited)
PRC	**121,889**	9,838
Hong Kong	**14,707**	11,009
Others	**962**	48,365
	137,558	69,212

6. FINANCE COSTS

	Six Months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest from other borrowings	**12,456**	670
Interest from amount due to Directors	**1,715**	2,644
Bond interest expenses	**1,005**	64
	15,176	3,378

7. PROFIT BEFORE TAXATION

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

	Six Months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
	(Unaudited)	(Unaudited)
Amortisation	**1,201**	1,201
Depreciation	**164**	2,284
Staff cost, including Directors' remuneration	**15,308**	13,478
Contributions to retirement benefits scheme (included in staff costs)	**371**	350
Cost of inventories recognised as expenses	**106,670**	–
Loss/(Gain) from error trades	**–**	22
Operating lease in respect of office premises	**2,870**	1,558

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 2017 and 2018 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax	**469**	3,924
Deferred tax liabilities	**1,098,201**	(360)
	1,098,670	3,564

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

During the period ended 30 June 2018, 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.

9. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (Continued)

The (loss)/profit for the period 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-presented the mineral mining operation in the PRC as a discontinued operation.

	Six Months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	–
Cost of Sales	**–**	–
Gross profit	**–**	–
Other income	**5**	12,449
Selling and distribution expenses	**–**	(808)
Administrative expenses	**(422)**	(30,918)
(Loss)/Profit from operation	**(417)**	(19,277)
Finance cost	**(1)**	(3)
(Loss)/Profit before taxation	**(418)**	(19,280)
Taxation	**–**	(264)
(Loss)/Profit for the period	**(418)**	(19,544)
(Loss)/Profit for the period from discontinued operations including the following:		
Depreciation	**–**	10
Amortisation	**–**	86
Interest income	**5**	4

10. DIVIDEND

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2017: Nil).

11. EARNINGS PER SHARE

For continuing operations

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

	Six Months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**3,272,048**	115,098
Weighted average number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**3,024,717**	2,521,280

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share from continuing operations for the six months ended 30 June 2018.

No diluted earnings per share was presented as there were no potential ordinary shares during the six months ended 30 June 2017.

For continuing and discontinued operations

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share	**3,271,630**	109,170

For discontinued operations

Basic loss per share for the discontinued operations is HK$0.01 cents per share (2017: HK$0.78 cents per share), based on the loss for the year from the discontinued operations of approximately HK$418,000 (2017: HK$19,544,000) and the denominators details above for both basic (loss)/earnings per share.

12. INVESTMENT PROPERTIES

	30 June 2018
	HK$'000
As at 1 January 2017	432,639
Fair value change	130,420
Exchange adjustment	35,092
As at 31 December 2017 and 1 January 2018	598,151
Acquisition of a subsidiary	1,471,846
Fair value change on investment properties	4,394,245
Exchange adjustment	(222,416)
As at 30 June 2018	6,241,826

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 the PRC.

The fair values of the Group's investment properties at 30 June 2018 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.

13. ACCOUNTS RECEIVABLE

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts receivable arising from business of trading	**38,555**	629
Accounts receivable arising from business of property investment	**2**	24,605
Accounts receivable arising from the business of dealing in securities		
– Cash clients	**21,145**	15,841
Less: Allowance of doubtful debts	**(1,124)**	(941)
	20,021	14,900
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**–**	2,811
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**2,666**	1,390
Loans to securities margin clients	**70,549**	84,410
Less: Allowance for doubtful debts	**(57)**	(57)
	70,492	84,353
Accounts receivable arising from the business of advisory for financial management	**106**	6
	131,842	128,694

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.

13. ACCOUNTS RECEIVABLE (Continued)

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 2017: 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$275,670,000 (31 December 2017: HK$353,385,000). The percentage of collateral over the outstanding balance at 30 June 2018 ranged 42% to 35.62% (31 December 2017: 118% to 6,828% 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:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**100**	6
More than 90 days	**6**	0
	106	6

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:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 180 days	**18,897**	14,646
More than 180 days	**1,124**	254
	20,021	14,900

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

14. 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 2017: 0.225%) per annum and will be released upon the expiry of relevant banking facilities.

15. ACCOUNTS PAYABLE

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Account payable arising from trading business	**47,083**	–
Account payable from properties investment	**33**	33
Accounts payable arising from the business of dealing in securities:		
– Cash clients	**158,670**	159,252
– HKSCC	**3,682**	3,403
Accounts payable to clients arising from the business of dealing in futures contracts	**4,262**	2,543
Amounts due to securities margin clients	**15,694**	12,280
Accounts payables arising from the business of advisory for financial management	**76**	3
	229,500	177,514

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.

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

15. ACCOUNTS PAYABLE (Continued)

The accounts payable amounting to approximately of HK$170,545,000 (31 December 2017: HK$163,219,000) 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.

The aged analysis of accounts payables arising from properties investment is as follow:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
0 to 90 days	**–**	33
Over 180 days	**33**	–
	33	33

16. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018, 30 June 2018	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 1 January 2018	2,521,280	252,128
Conversion of issued convertible bonds *(note a)*	1,478,720	147,872
At 30 June 2018	4,000,000	400,000

Notes:

a) On 9 April 2018, 30 April 2018 and 9 May 2018, the bondholder of the CB have converted the CB with the aggregate principal amount approximately of RMB112,495,000, RMB423,558,000 and RMB299,970,000 representatively at conversion price of HK$0.7 per share into 200,000,000, 750,000,000 and 528,719,115 ordinary shares of the Company respectively.

17. 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 approximately HK$3,000 (2017: HK$15,000) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.

b) As at 30 June 2018, outstanding advances from a Director, Mr. Nam Kwok Lun, amounted to HK$70,012,000 (31 December 2017: HK$85,304,000). During the period, the Group paid finance cost of HK$1,714,000 (2017: HK$2,644,000) to the Director.

c) During the period, the Group paid rental fee amounting to HK$1,260,000 (2017: HK$1,210,000) to a company in which Dr. Hui Chi Ming, a Director, has beneficial interest.

d) As at 30 June 2018, outstanding advance from PAL Finance Limited, a wholly-owned subsidiary of ATNT, amounted to HK$66,000,000 (31 December 2017: HK$60,000,000). During the period, the Group paid finance costs approximately of HK$1,853,000 (2017: HK$670,000) to PAL Finance Limited.

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

	Six Months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Short-term benefits	**3,462**	3,588
Post-employment benefits	**45**	45
	3,507	3,633

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2018, the total revenue for the Group was approximately HK$137 million, representing an increase of approximately HK$68 million or 99% as compared with approximately HK$69 million in 2017. The increase was mainly attributable to an increase in commission and brokerage income and sales of electronic products during the period review.

For the six months ended 30 June 2018, the profit attributable to the owners of the Company from continuing operations increased to HK$3,272 million, an increase of HK$3,157 million from the profit of HK$115 million recorded for the six months ended 30 June 2017. The increase was primarily due to the increase of the fair value of investment properties of HK$4,390 million (2017: HK$130 million).

For the period under review, the earnings per share, basic and diluted, was approximately HK$1.082. As at 30 June 2018, the net asset value per share was approximately HK$1.513.

FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2018 was HK$137 million (2017: HK$69 million) representing a significant increase of 99% as compared to the same period of last year.

Gross profit

The resulting gross profit margin decreased from 29.14% for the six months ended 30 June 2017 to 20.8% for the six months ended 30 June 2018. The decrease was mainly due to lower profit margin from the trading business.

Other gains and losses

During the period under review, the Group recorded other gains of HK$4,393 million (2017: other gains HK$132 million). The other gains was mainly due to the fair value change of investment properties.

Administration expenses

Administration expenses, which represented 25.06% (2017: 42.57%) of the Group's revenue, decrease in percentage by 17.51% because less administrative expenses incurred from trading business during the period under review.

Finance Costs

The Group incurred finance costs of HK$15 million for the six months ended 30 June 2018 as compared to HK$3 million for the corresponding period last year. The increase was mainly due to a secured borrowing created by late November 2017.

Liquidity, financial resources and funding

As at 30 June 2018, the Group's cash and cash equivalents (excluding the restricted cash) were HK$51,090,000 (31 December 2017: HK$164,679,000).

The net current assets of the Group (without the disposal group held for sale) were HK$921,415,000 (31 December 2017: HK$170,272,000), which consisted of current assets of HK$1,253,116,000 (31 December 2017: HK$471,138,000) and current liabilities of HK$331,701,000 (31 December 2017: HK$300,866,000), representing a current ratio of 3.78 (31 December 2017: 1.57).

During the period ended 30 June 2018, no additional corporate bond was issued. In 2017, the Group has issued with maximum maturity 7.5 years corporate bonds with aggregate principal amount of HK$21 million bearing interest rate of 7% per annum. The corporate bonds are unsecured.

The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. As at 30 June 2018, the Group's other borrowings and corporate bonds amounted to HK$339,081,000 (31 December 2017: HK$330,317,000).

The gearing ratio of the Group as at 30 June 2018 (defined as total interest-bearing liabilities divided by the Group's total equity) was 0.056 (31 December 2017: 0.38).

BUSINESS REVIEW

Investment property

Zhanjiang

On 28 July 2017, the Group entered into the Agreement, pursuant to which the Gorup agreed to acquire the entire issued share capital of New Guangdong Merchants Investment Holding Group Limited, the major assets of which were the land use rights of five land parcels located in Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhangjiang City, Guangdong Province, the PRC with total site area and total planned gross floor area of 265,764 sq.m. and 1,325,584 sq.m. respectively. The lands are divided into two portions: the portion held for sale (non-commercial portion) and the portion held for investment purpose (including the commercial portion and the car parking spaces). The transaction was completed on 28 February 2018.

According to the valuation report issued by a recognized valuer, at the end of the period under review, the lands were valued at RMB8 billion, the portion of lands at approximately RMB3.24 billion will be used for residential and hotel development purpose which are classified as inventories and plant, property and equipment and another portion of lands at approximately RMB4.76 billion will be used for commercial building development purpose which are classified as investment properties in the statement of financial position as at 30 June 2018. Therefore, the fair value gain of approximately RMB3.57 billion of the investment properties were recognised in the statement of profit or loss and other comprehensive income for the period ended 30 June 2018.

The Group expects the Zhanjiang Project will reach the conditions for sale in the near future. While generating substantial profits by selling residential units, the Group will retain approximately 230,000 square meters of commercial properties and over 10,700 parking spaces (approximately 334,000 square meters) for rental purposes. Such move will bring stable income to the Group and create favorable conditions for the Group to distribute dividends in the future.

In July 2018, under the joint witness of Chinese and German leaders, BASF and Guangdong Province signed a non-binding memorandum of understanding on cooperation. BASF plans to build an integrated, fine chemical industry base in Zhanjiang, Guangdong Province, China, with a total investment of US$10 billion. BASF's chemical industry base plan has a very positive impact on the Group's property development project in Zhanjiang.

The Lands are located at the central business district of Donghai Dao, being a part of Zhanjiang Economic and Technological Development Zone ("ZETDZ") established in 1984 with the approval of the State Council and combined with Zhanjiang Donghai Dao Economic Development Test Zone in 2009 with a total area of 469 square kilometer. ZETDZ comprises three zones, including the established zone located in the center of Zhanjiang City and the industrial zone and the tourist zone of Donghai Dao. According to "Zhanjiang City Master Plan (2011-2020)" approved by the State Council in June 2017, Donghai Dao is one of the seven key strategic development areas of Zhanjiang City. Donghai Dao is aiming to develop into a modern city favourable for industrial, commercial as well as residential with six major functional areas, namely steel industry zone, petrochemical zone, hi-tech industrial zone, modern manufacturing zone, central business district and tourism and leisure zone. Central business district, being one of the major functional areas, is located at the center of Donghai Dao and an aggregate of 500 acres of land of which has been planned for hotel, residential and commercial integrated projects. With the commencement of the operation/construction of large-scaled projects in Donghai Dao such as the steel industrial projects, refinery and petrochemical projects, Donghai hospital project, Donghai secondary school project etc., it is expected that there are demands for quality residential property.

Beijing

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 and the Group has agreed to extend the lease agreement to lease the entire area of the Property for a period of two more years commencing from 16 June 2018 and ending on 15 June 2020.

Trading Business

During the period under review, a company named Shenzhen Qianhai Jiameijing Industrial Company Limited（深圳市前海嘉美靜實業有限公司）was established in Shenzhen, the PRC, which principally engages in the business of trading, importing and exporting of electronic products. The group owns 60% interest in Shenzhen Qianhai Jiameijing Industrial Company Limited. The trading business recorded revenue of approximately HK$111 million (2017: Nil).

Financial business

The revenue of financial business of the Group generated from securities, futures and options broking business, underwriting commission, advisory for financial management business and interest income from securities margin loan portfolio. The performance during the past six months reversed to positive gain likely boosted up by the extension of strong rally from last yearend and the wide market fluctuations. Both brokerage and interest income registered satisfactory growth. Unfortunately, the market soon fell into prolonged correction on the doldrums of great volatile movement of New York market, the outbreak of Sino-American trade war and the rising of interest rate by Federal Reserve. The investment sentiment was further hit by the continued collapse of small counters triggered by sustained financial scandal rumours and the tightening of margin financing policy at the request of SFC. Hang Seng Index dropped from year high of 33,484 to below 28,000 with daily turnover sliding almost half to below 100 billions. The market is expected to be weak in the period ahead as investors remained worried on the escalating Sino-America conflicts, the wide spreading global trade wars and deteriorating political tensions especially in Middle East region.

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.

Mining and production of zeolite business

Hebei Panbao Zeolite Technology Co., Ltd ("Hebei Panbao") is a limited liability company established under the laws of the PRC. Its principal activities 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. Hebei Panbao has obtained the mining license of zeolite from the Bureau of Land and Resources of Zhangjiakou Municipal valid until 15 May 2022 in a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters.

Since April 2017, following the new management (the "New Management") had taken over the operation of Hebei Panbao, under the inefficient supervision of the New Management, Hebei Panbao reported unsatisfactory performance as it did not make any revenue contribution and incurred significant loss of approximately HK$100.7 million for the year ended 31 December 2017. For the year ended 31 December 2017, despite that no revenue was generated by Hebei Panbao, the administrative expense of Hebei Panbao recorded approximately HK$114.7 million, represented an increase by approximately 658.6% from approximately HK$15.1 million for the year ended 31 December 2016. The increase of the administrative expense was mainly attributable to two major abnormal items, namely the impairment loss of prepayment of approximately HK$63 million and cost of suspension of operations of approximately HK$28.6 million incurred by Hebei Panbao due to the change of management of the operations during the year ended 31 December 2017. Impairment loss of prepayment was recognized due to the New Management has entered into agreement with a supplier for processing the zeoite mine and made deposit for securing their capacity for processing the zeoite minerals. However, Hebei Panbao has failed to execute the contracts and the deposit has become uncollectable from the supplier as Hebei Panbao has breached the contract terms. The cost of suspension of operations represented the expenses payment related to workers, energy, depreciation and other indirect cost of mining and mine processing activities.

In view of the uncertain prospect of Hebei Panbao, the Directors consider to dispose Hebei Panbao which represents a good opportunity for the Group to realise its investment and for better utilization of the Group's resources, in particular the Group would like to seek to expand its business into real estate project investment, development and operation business.

As such, on 13 July 2018, the Group entered into a sale and purchase agreement in which the Group has agreed to dispose the Group's entire interest in Hebei Panbao, among other subsidiaries, for HK$160,000,000. The transaction completed on 24 July 2018.

MATERIAL ACQUISITION OR DISPOSAL

On 28 February 2018, the Group completed a very substantial acquisition to acquire the entire issued share capital of New Guangdong Merchants Investment Holding Group Limited. Details please refer the Business review section.

EVENTS AFTER REPORTING DATE

On 13 July 2018, the Group entered into a sale and purchase agreement in which the Group has agreed to dispose the Group's entire interest in Hebei Panbao, among other subsidiaries, for HK$160,000,000. The transaction completed on 24 July 2018.

PROSPECT

Building on the acquisition, expansion and disposal completed lately, the Group will continue to expand its business into property development and investment alongside its existing trading, energy-related and financial services businesses. Especially, the new property development and investment business in Zhanjiang has already, with an immediate effect, contributed substantially to the profitability of the Group by way of value appreciation before the development has even been carried out. It will be the major growth factor of the Group in the years to come. Furthermore, while generating substantial profits by selling residential units, the Group will retain commercial properties and parking spaces for rental purposes. Such move will bring stable and long-term income to the Group and create favorable conditions for the Group to distribute dividends in the future. 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.

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 2018, no such facilities were utilised by the subsidiary to facilitate daily operation (31 December 2017: nil).

CHARGE ON ASSETS

As at 30 June 2018, the term loan of principal value HK$250 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.

The Group held banking facilities from various banks as at 30 June 2018. The Group's banking facilities were secured by guarantees given by the Group's bank deposits and the Company. As at 30 June 2018, bank deposits amounting to approximately HK$5,242,000 (31 December 2017: HK$5,239,000) were pledged to secure banking facilities granted to a subsidiary.

PURSUANT TO RULE 13.18 OF THE LISTING RULES

In November 2017, 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.

CAPITAL STRUCTURE

As at 30 June 2018, the total number of issued ordinary shares of the Company was 4,000,000,000 of HK$0.10 each (31 December 2017: 2,521,280,885 shares of HK$0.10 each).

APPOINTMENT OF EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTOR

With effect from 11 June 2018, Mr. Ngan Kam Biu, Stanford has been appointed as an Independent non-executive Director of the Company and Mr. Kwan Wang Wai, Alan has tendered his resignation as an independent non-executive Director of the Company respectively.

CHANGE OF COMPANY NAMES AND STOCK SHORT NAMES

On 29 March 2018, a special resolution in relation to the Change of Company Name was proposed and duly passed at the special general meeting of the Company to approve the change of the English name of the Company from "Hoifu Energy Group Limited" to ""Hong Kong Finance Investment Holding Group Limited" and the Chinese secondary name of the Company has been changed from "凱富能源集團有限公司" to "香港金融投資控股集團有限公司". The stock short names of the Company for trading in the Shares on the Stock Exchange has been changed from ""HOIFU ENERGY" to "HK FINANCE INV" in English and from "凱富能源" to "香港金融集團" in Chinese with effect on 6 June 2018. The stock code of the Company remains unchanged as "7". The website address of the Company will be changed from "www.hoifuenergy.com" to "www.hkfihg.com" with effect from 6 June 2018.

Please refer to the announcements of the Company dated 13 February 2018, 29 March 2018 and 1 June 2018 and the circular dated 1 March 2018 relating to the change of company names and stock short names.

HUMAN RESOURCES

As at 30 June 2018, the Group employed a total of 146 staff (2017: 140) of which 20 were commission based (2017: 24) and the total related staff cost amounted to HK$15,308,000 (2017: HK$13,478,000). 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 2018 (2017: 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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six month period ended 30 June 2018, 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. Mr. Ngan Kam Biu, Stanford, 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.hkfihg.com under the section "Announcement" of Corporate Information and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk "Latest Listed Company Information". The 2018 interim report will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Hong Kong Finance Investment Holding Group Limited
Dr. Hui Chi Ming, *G.B.S., J.P.*
Chairman

Hong Kong, 31 July 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. Ngan Kam Biu, Stanford, Mr. Ng Chi Kin, David and Mr. Yim Kai Pung.