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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 2020

INTERIM RESULTS

The Board of Directors (the “Board”) of Hong Kong Finance Investment Holdings Limited (the “Company”) announced the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the six months ended 30 June 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six Months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	386,699	318,589
Cost of goods sold and direct cost		(375,913)	(298,704)
Gross profit		10,786	19,885
Other income		2,692	1,290
Other gains or losses	4	(70)	(25)
Fair value change on investment properties		94,035	223,022
Selling and distribution expenses		(12)	(600)
Administrative expenses		(27,736)	(30,202)
Profit from operation		79,695	213,370
Finance costs	6	(14,161)	(15,045)
Profit before taxation	7	65,534	198,325
Taxation	8	(23,299)	(56,105)
Profit for the period		42,235	142,220

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

For the six months ended 30 June 2020

		Six Months ended 30 June	
		2020	2019
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		(40,524)	(9,159)
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investment in equity instruments		(53)	(234)
Other comprehensive expenses for the period		(40,577)	(9,393)
Total comprehensive income for the period		1,658	132,827
Profit/(loss) for the period attributable to:			
Owners of the Company		42,475	141,800
Non-controlling interests		(240)	420
Profit for the period		42,235	142,220
Total comprehensive income/(expenses) for the period attributable to:			
Owners of the Company		2,010	132,592
Non-controlling interests		(352)	235
		1,658	132,827
Earnings per share	10		
Basic and diluted		0.011	0.035

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		93,767	94,255
Investment properties	11	2,435,081	2,387,597
Right-of-use assets		4,453	5,693
Investment in equity instrument at fair value through other comprehensive income		1,170	1,224
Deposit paid for construction		74,946	74,946
Statutory deposits		2,030	4,030
Loans receivable		15,992	1,992
		<u>2,627,439</u>	<u>2,569,737</u>
CURRENT ASSETS			
Properties for sale		1,809,871	1,809,871
Accounts receivable	12	81,769	106,684
Other receivables, prepayments and deposits		191,341	76,063
Pledged fixed deposits (general accounts)	13	5,266	5,264
Bank balances (trust and segregated accounts)		89,972	83,766
Bank balances (general accounts) and cash		121,202	20,680
		<u>2,299,421</u>	<u>2,102,328</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Accounts payable	14	140,281	155,160
Other payables and accrued expenses		177,832	38,779
Lease liabilities		2,340	2,377
Contract liabilities		82,248	6,643
Amounts due to Directors		130,403	109,292
Borrowings		255,910	255,910
Tax payable		1,640	339
		790,654	568,500
NET CURRENT ASSETS		1,508,767	1,533,828
TOTAL ASSETS LESS CURRENT LIABILITIES		4,136,206	4,103,565
NON-CURRENT LIABILITIES			
Lease liabilities		2,237	3,392
Deferred tax liability		365,850	349,227
Corporate bonds		30,636	29,621
Borrowings		63,500	49,000
		462,223	431,240
Net assets		3,673,983	3,672,325
CAPITAL AND RESERVES			
Share capital	15	400,000	400,000
Reserves		3,269,386	3,267,376
Equity attributable to owners of the Company		3,669,386	3,667,376
Non-controlling interests		4,597	4,949
Total equity		3,673,983	3,672,325

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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.

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 months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRS”) and the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by major products or services lines:		
Trading Business:		
Sales of electronic products	375,880	300,109
Financial Business:		
Commission and brokerage income	5,059	4,351
Advisory and consultancy fee	597	775
	381,536	305,235
Revenue from other sources outside the scope of HKFRS 15:		
Financial Business:		
Interest income arising from financial business	4,448	4,630
Rental income	715	8,724
	5,163	13,354
	386,699	318,589

4. OTHER GAINS OR LOSSES

	Six Months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment loss of financial asset at amortised cost, net	(70)	(25)

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 2020:

	Trading business <i>HK\$'000</i>	Mineral mining, oil and gas business <i>HK\$'000</i>	Financial business <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE:					
Segment revenue	<u>375,880</u>	<u>–</u>	<u>10,222</u>	<u>597</u>	<u>386,699</u>
Segment profit/(loss)	<u>(200)</u>	<u>(42)</u>	<u>267</u>	<u>(3,731)</u>	<u>(3,706)</u>
Other income					2,692
Fair value change of investment properties					94,035
Corporate and administration costs					<u>(27,487)</u>
Profit before taxation					<u>65,534</u>

For the six months ended 30 June 2019:

	Trading business <i>HK\$'000</i>	Mineral mining, oil and gas business <i>HK\$'000</i>	Financial business <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE:					
Segment revenue	<u>300,109</u>	<u>–</u>	<u>9,756</u>	<u>8,724</u>	<u>318,589</u>
Segment profit/(loss)	<u>1,322</u>	<u>(48)</u>	<u>(2,069)</u>	<u>4,140</u>	<u>3,345</u>
Other income					1,290
Fair value change of investment properties					223,022
Corporate and administration costs					<u>(29,332)</u>
Profit before taxation					<u>198,325</u>

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

5. SEGMENT INFORMATION (Continued)

The geographical information of revenue is shown as follows:

	Six Months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
PRC	376,174	308,013
Hong Kong	10,104	9,756
Others	421	820
	<u>386,699</u>	<u>318,589</u>

6. FINANCE COSTS

Interest on borrowings wholly repayable within five years:

	Six Months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Corporate bonds	1,015	877
Borrowing	11,731	12,426
Amount due to Directors	1,280	1,699
Lease liabilities	135	43
	<u>14,161</u>	<u>15,045</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six Months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	402	3,439
Depreciation of right-of-use assets	1,237	218
Staff cost, including Directors' remuneration	15,046	17,056
Contributions to retirement benefits scheme (included in staff costs)	340	363
Cost of inventories recognised as expenses	374,622	297,351
Expense relating to short-term leases	<u>1,260</u>	<u>1,560</u>

8. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2019 and 2020 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Over-provision in prior year	<u>(210)</u>	<u>–</u>
Current tax		
PRC enterprise income tax	–	350
Deferred tax liabilities	<u>23,509</u>	<u>55,755</u>
	<u>23,509</u>	<u>56,105</u>
	<u>23,299</u>	<u>56,105</u>

9. DIVIDEND

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2019: Nil).

10. EARNINGS PER SHARE

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

	Six Months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>42,475</u>	<u>141,800</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>4,000,000</u>	<u>4,000,000</u>

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 for the six months ended 30 June 2019.

11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
As at 1 January 2019 (Audited)	1,416,547
Addition	1,671
Fair value change of investment properties	1,011,747
Exchange adjustment	<u>(42,368)</u>
As at 31 December 2019 and 1 January 2020 (Audited)	2,387,597
Addition	124
Fair value change of investment properties	94,035
Exchange adjustment	<u>(46,675)</u>
As at 30 June 2020 (Unaudited)	<u><u>2,435,081</u></u>

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) a commercial unit located in the Beijing, PRC and (b) a commercial unit and car parking spaces located in Zhanjiang, PRC.

The fair values of the Group's investment properties at 30 June 2020 have been arrived at on the basis of a valuation carried out on that day by Jones Lang LaSalle IP, Inc. (31 December 2019: Cushman & Wakefield Limited), an independent qualified professional valuer that is not connected with the Group.

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

12. ACCOUNTS RECEIVABLE

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Accounts receivable consist of:		
Accounts receivable arising from business of trading electronic products	639	24,786
Accounts receivable arising from business of properties investment	444	368
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	9,253	7,060
Less: Loss allowance for ECL	(11)	(11)
	9,242	7,049
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	–	540
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited (“HKFECC”) arising from the business of dealing in futures contracts	1,007	1,368
Loans to securities margin clients	70,454	72,395
Less: Loss allowance for ECL	(34)	(34)
	70,420	72,361
Accounts receivable arising from the business of advisory for financial management	17	212
	<u>81,769</u>	<u>106,684</u>

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.

12. 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 8.125% (31 December 2019: Hong Kong Prime Rate quoted by OCBC Wing Hang Bank Limited plus 3% equivalent to 8.125%) 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\$198,410,000 (31 December 2019: HK\$236,963,000). The percentage of collateral over the outstanding balance at 30 June 2019 ranged 124% to 3,162% (31 December 2019: 136% to 6,223%). The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment as requested by the Group.

A credit period based on dates of delivery of goods for accounts receivable from trading of electronic products is 90 days. The aged analysis of accounts receivable arising from trading of electronic products is as follow:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Unaudited)
0 to 90 days	639	24,786

The average credit period for accounts receivable from investment property business is 30 days. The aged analysis of accounts receivable arising from investment property business is as follow:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Unaudited)
0 to 90 days	444	368

12. ACCOUNTS RECEIVABLE (Continued)

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

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 90 days	8,036	7,049
91 – 180 days	1,206	–
	9,242	7,049

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	31 December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 90 days	17	–
More than 90 days	–	212
	17	212

13. PLEDGED FIXED DEPOSITS (GENERAL ACCOUNTS)

The Group pledged fixed deposits to banks to secure general banking facilities granted to the Group. The pledged fixed deposits carry interest rates at 0.225% (31 December 2019: 0.225%) per annum and will be released upon the expiry of relevant banking facilities.

14. ACCOUNTS PAYABLE

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Accounts payable from trading of electronic products	37,377	60,180
Accounts payable from properties investment	6,500	6,500
Accounts payable arising from the business of dealing in securities:		
– Cash clients	86,125	79,890
– HKSCC	3,253	1,399
Accounts payable to clients arising from the business of dealing in futures contracts	1,270	2,139
Amounts due to securities margin clients	<u>5,756</u>	<u>5,052</u>
	<u>140,281</u>	<u>155,160</u>

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.

14. ACCOUNTS PAYABLE (Continued)

The accounts payable amounting to approximately of HK\$89,972,000 (31 December 2019: HK\$83,766,000) 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 amounts payable from trading of electronic products presented based on the receive date is as follow:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Unaudited)
0 to 90 days	28,034	53,027
91 – 180 days	2,159	2,200
180 - 365 days	7,184	4,876
Over 365 days	–	77
	<u>37,377</u>	<u>60,180</u>

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
90 – 180 days	<u>6,500</u>	<u>6,500</u>

15. SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<i>Authorised:</i>		
10,000,000,000 ordinary shares with HK\$0.1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
4,000,000,000 ordinary shares with HK\$0.1 each	<u>400,000</u>	<u>400,000</u>

16. 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\$6,000 (six months ended 30 June 2019: HK\$31,000) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.

During the period, the Group received commission income and other securities dealing income from securities dealing of approximately HK\$4,000 (six months ended 30 June 2019: HK\$2,000) from Asia Tele-Net and Technology Corporation Limited (“ATNT”), in which two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, have controlling interests.

- b) As at 30 June 2020, outstanding advances from a Director, Mr. Nam Kwok Lun, amounted to HK\$51,018,000 (31 December 2019: HK\$57,897,000). During the period, the Group paid finance cost of HK\$1,280,000 (six months ended 30 June 2019: HK\$1,699,000) to the Director.
- c) During the period, the Group paid rental fee amounting to HK\$1,260,000 (six months ended 30 June 2019: HK\$1,260,000) to a company in which Dr. Hui Chi Ming, a Director, has beneficial interest.
- d) As at 30 June 2020, outstanding advance from PAL Finance Limited, a wholly-owned subsidiary of ATNT, amounted to HK\$63,500,000 (31 December 2019: HK\$49,000,000). During the period, the Group paid finance costs approximately of HK\$1,620,000 (six months ended 30 June 2019: HK\$1,686,000) 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Short-term benefits	5,443	6,128
Post-employment benefits	63	63
	5,506	6,191

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2020, the total revenue for the Group was approximately HK\$386.70 million, representing an increase of approximately HK\$68.11 million or 21.38% as compared with approximately HK\$318.59 million in 2019. The increase was mainly attributable to an increase in sales of electronic products during the period review. For the six months ended 30 June 2020, the profit attributable to the owners of the Company from continuing operations decreased to HK\$42.48 million, an decrease in HK\$99.32 million from the profit of approximately HK\$141.80 million recorded for the six months ended 30 June 2019. The decrease was primarily due to the decrease in the fair value change of investment properties of HK\$94.04 million (2019: HK\$223.02 million). For the period under review, the earnings per share, basic and diluted, was approximately HK\$0.011 (2019: HK\$0.035).

FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2020 was approximately HK\$386.70 million (2019: HK\$318.59 million) representing an increase of 21.38% as compared to the same period of last year.

Gross profit

The resulting gross profit margin decreased from 6.24% for the six months ended 30 June 2019 to 2.79% for the six months ended 30 June 2020. The decrease was mainly due to increase in trading business which generate lower profit margin.

Administration expenses

Administration expenses, which represented 7.17% (2019: 9.48%) of the Group's revenue, decreased in percentage by 2.31% because less administrative expenses incurred from trading business during the period under review.

Finance Costs

As no significant borrowing incurred during the six months ended 30 June 2020 and the Group recorded similar level of finance costs of approximately HK\$14.16 million for the six months ended 30 June 2020 as compared for the corresponding period last year.

Liquidity, financial resources and funding

As at 30 June 2020, the Group's cash and cash equivalents (excluding the restricted cash) were approximately HK\$121.20 million (31 December 2019: HK\$20.68 million).

The net current assets of the Group were approximately HK\$1.51 billion (31 December 2019: HK\$1.53 billion), which consisted of current assets of HK\$2.30 billion (31 December 2019: HK\$2.10 billion) and current liabilities of approximately HK\$790.65 million (31 December 2019: HK\$568.50 million), representing a current ratio of 2.91 (31 December 2019: 3.70).

The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. As at 30 June 2020, the Group's other borrowings and corporate bonds amounted to approximately HK\$350.05 million (31 December 2019: HK\$334.53 million).

The gearing ratio of the Group as at 30 June 2020 (defined as total interest-bearing liabilities divided by the Group's total equity) was 0.10 (31 December 2019: 0.09).

BUSINESS REVIEW

Investment property

Zhanjiang

The Group holds 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 approximately 266,000 sq.m. and 1.3 million sq.m. respectively (the "Zhanjiang project"). 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).

According to the valuation report issued by a recognized valuer at the end of the year, the lands were valued higher by approximately 280 million at approximately RMB5.23 billion, the portion of lands at approximately RMB3.47 billion will be used for residential purpose which are classified as inventories and another portion of lands at approximately RMB1.76 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 2020. Therefore, the fair value gain of approximately RMB96.0 million of the investment properties were recognised in the statement of profit or loss and other comprehensive income for the period ended 30 June 2020.

During the period under review, the contractor had commenced with construction works. With the commencement of the construction, 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 227,000 square meters of commercial properties and over 10,700 parking spaces 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.

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. Moreover, 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 16,300 sq.m. at the Rong Ning Yuan Community of No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, PRC. These rental incomes have consolidated into the Group's revenue since the end of 2016.

Sand mining business

As approved by the government authorities in Papua New Guinea, Hong Kong Finance Business Development Group Limited, a wholly-owned subsidiary of the Group, has obtained an exclusive operating right for the construction and operation of port and terminal facilities and conducting sand mining and export business in an area of 23,300 square kilometers ("km²") in Kikori Delta in the Gulf of Papua (the "Kikori Delta"). The Kikori Delta has abundant resources of river sand and sea sand. The large-scale construction projects in Asian countries and regions such as Singapore and Hong Kong generate long-term keen and huge demand for sand. Thus, it will generate lucrative returns for sand mining projects. By leveraging on the aforesaid exclusive operating right, the Group shall develop sand mining and export business.

The Group has also established comprehensive strategic cooperation with China Harbour Engineering Company Limited ("China Harbour Engineering"), whereby both parties agreed to fully cooperate and negotiate on the formation of an international strategic alliance operating company and an engineering contracting joint venture for carrying out sand mining operation and the planning, construction and operation of fairway and terminal facilities in Papua New Guinea. Through such cooperation, it will ensure that China Harbour Engineering can fully utilise the abundant sea sand, river sand, gravel and fill materials in the Kikori Delta for its land reclamation projects and marketing in Singapore and Southeast Asian markets which will bring in stable income stream and will result in positive contribution to the Group.

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 and managed to record profit as the market was benefited from the dual listing of many Chinese technical giants in Hong Kong which boosted up the turnover. Market remained volatile as investors were sensitive to the development of Sino-American confrontations, the global monetary easing policy and the spread of Covid-19 disease. Dow Jones rallied towards new highs towards the second quarter but Hang Seng Index was still capped within the range of 24,000 and 27,000. Market turnover hopefully expected to be buoyant amid more listings of Chinese companies.

Trading Business

During the period under review, the group owns 60% interest in Shenzhen Qianhai Jiameijing Industrial Company Limited (深圳市前海嘉美靜實業有限公司) which recorded revenue of approximately HK\$375.88 million (2019: 300.11 million). Shenzhen Qianhai Jiameijing principally engages in the business of trading, importing and exporting of electronic products.

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.

MATERIAL ACQUISITION OR DISPOSAL

The Group had no material acquisition or disposal of subsidiaries during the period under review.

EVENTS AFTER REPORTING DATE

The Group did not have any significant contingent liability during the period under review.

CHANGE OF THE COMPANY NAME

On 25 August 2020, the Company announced to propose to change the Company name from “Hong Kong Finance Investment Holding Group Limited” to “Wisdom Wealth Resources Investment Holding Group Limited” and the adoption of the Chinese name of “智富資源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 “香港金融投資控股集團有限公司”. A special general meeting will duly be convened to approve the change of the Company name. Further announcement will be made by the Company upon the Change of Company Name becoming effective.

PROSPECT

2020 is a year of challenge for the property industry in China. At the beginning of 2020, following the epidemic outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”) spread from Wuhan, the whole country has united together to fight against the epidemic. The Group has responded quickly with comprehensive arrangements and collaborated with regional offices, subsidiaries and joint ventures, to stand in the frontline of epidemic prevention and control. However, the industry would also be exposed to a new opportunity of transformation and upgrade into a modern industry in pursuit of high-quality property development. The Company believes it will enjoy more development opportunities after such a challenging time.

Furthermore, the Group will continue to expand its business into other promising businesses alongside its existing property development and investment business, as well as trading, energy related and financial services businesses. Especially, the new sand mining business in Papua New Guinea. It will be the growth factor of the Group in the years to come. The Group’s enlarging and strengthening property development 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 2020, no such facilities were utilised by the subsidiary to facilitate daily operation (31 December 2019: nil).

CHARGE ON ASSETS

As at 30 June 2020, 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 2020. The Group's banking facilities were secured by guarantees given by the Group's bank deposits and the Company. As at 30 June 2020, bank deposits amounting to approximately HK\$5,266,000 (31 December 2019: HK\$5,264,000) 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 2020, the total number of issued ordinary shares of the Company was 4,000,000,000 of HK\$0.10 each (31 December 2019: 4,000,000,000 shares of HK\$0.10 each).

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND EXECUTIVE DIRECTORS

With effect from 25 May 2020, Mr. Chow Kin Wing was appointed as an independent non-executive Director of the Company and Mr. Chan Tsang Mo resigned tendered his resignation as an independent non-executive Director of the Company respectively.

With effect from 16 July 2020, Messrs. Chen Mailin and Hui Ngok Lun were appointed as executive Directors of the Company and Messrs. Chui Say Hoe and Ren Qian were re-designated from executive Directors of the Company to consultants of the Company respectively.

HUMAN RESOURCES

As at 30 June 2020, the Group employed a total of 168 staff (2019: 153) of which 20 were commission based (2019: 20) and the total related staff cost amounted to HK\$15,046,000 (2019: HK\$17,056,000). 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 2020 (2019: 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 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six month period ended 30 June 2020, 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, Tam Chak Chi and Ma Kin Ling. 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 six months ended 30 June 2020.

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 2020 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 August 2020

As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the senior consultants of the Company comprise Dr. Wang Tao, Mr. Fu Chenyu and Mr. Lalaharisaina Joelivalerien; the board of directors comprises eight executive Directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Mr. Chen Mailin, Mr. Cao Yu, Mr. Xu Jun Jia, Mr. Lam Kwok Hing, M.H., J.P., Mr. Nam Kwok Lun and Mr. Hui Ngok Lun; and four independent non-executive Directors, namely, Mr. Ngan Kam Biu, Stanford, Mr. Tam Chak Chi, Mr. Ma Kin Ling and Mr. Chow Kin Wing.