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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 2019

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 2019 together with the comparative figures for the six months ended 30 June 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six Months ended 30 June	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	318,589	137,558
Cost of goods sold and direct cost		(298,704)	(108,929)
Gross profit		19,885	28,629
Other income		1,290	1,127
Other gains or losses	4	(25)	(880)
Fair value change on investment properties		223,022	4,394,245
Selling and distribution expenses		(600)	(602)
Administrative expenses		(30,202)	(34,469)
Profit from operation		213,370	4,388,050
Finance costs	6	(15,045)	(15,176)
Profit before taxation	7	198,325	4,372,874
Taxation	8	(56,105)	(1,098,670)
Profit for the period from continuing operations		142,220	3,274,204

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

For the six months ended 30 June 2019

		Six Months ended 30 June	
	<i>Note</i>	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Discontinued operations			
Loss for the period from discontinued operations	9	–	(418)
Profit for the period		142,220	3,273,786
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		(9,159)	(227,024)
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain on investment in equity instruments		(234)	(18)
Other comprehensive expenses for the period		(9,393)	(227,042)
Total comprehensive income for the period		132,827	3,046,744
Profit/(loss) for the period attributable to owners of the Company:			
from continuing operations		141,800	3,272,048
from discontinued operations		–	(418)
Profit for the period attributable to owners of the Company		141,800	3,271,630
Profit for the period attributable to non-controlling interests:			
from continuing operations		420	2,156
from discontinued operations		–	–
Profit for the period attributable to non-controlling interests		420	2,156
		142,220	3,273,786
Total comprehensive income for the period attributable to:			
Owners of the Company		142,592	3,044,498
Non-controlling interests		235	2,246
		142,827	3,046,744
Earnings per share	11		
From continuing and discontinued operations			
– Basic and diluted		0.035	1.082
From continuing operations			
– Basic and diluted		0.035	1.082

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019	31 December 2018
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		114,370	116,648
Investment properties	12	1,630,175	1,416,547
Right-of-use assets		6,572	–
Investment in equity instrument at fair value through other comprehensive income		1,332	1,566
Deposit paid for construction		160,000	160,000
Statutory deposits		4,030	4,075
Loans receivable		12,993	12,993
		<u>1,929,472</u>	<u>1,711,829</u>
CURRENT ASSETS			
Properties for sale		1,846,550	1,846,586
Accounts receivable	13	180,326	273,689
Loans receivable		7,522	7,513
Other receivables, prepayments and deposits		65,714	43,162
Pledged fixed deposits (general accounts)	14	5,257	5,251
Bank balances (trust and segregated accounts)		108,131	104,231
Bank balances (general accounts) and cash		34,668	41,155
		<u>2,248,168</u>	<u>2,321,587</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2019

		30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
CURRENT LIABILITIES			
Accounts payable	15	228,832	303,524
Other payables and accrued expenses		27,551	26,393
Lease liabilities		2,108	–
Contract liabilities		5,649	–
Amounts due to Directors		101,398	85,491
Borrowings		66,000	66,021
Tax payable		643	1,868
		<u>432,181</u>	<u>483,297</u>
NET CURRENT ASSETS		<u>1,815,987</u>	<u>1,838,290</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,745,459</u>	<u>3,550,119</u>
NON-CURRENT LIABILITIES			
Lease liabilities		4,484	–
Deferred tax liability		156,260	102,224
Corporate bonds		23,437	19,560
Borrowings		255,137	254,509
Convertible bonds		103,646	104,055
		<u>524,964</u>	<u>480,348</u>
Net assets		<u><u>3,202,495</u></u>	<u><u>3,069,771</u></u>
CAPITAL AND RESERVES			
Share capital	16	400,000	400,000
Reserves		<u>2,799,173</u>	<u>2,666,684</u>
Equity attributable to owners of the Company		3,199,173	3,066,684
Non-controlling interests		<u>3,322</u>	<u>3,087</u>
Total equity		<u><u>3,202,495</u></u>	<u><u>3,069,771</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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-month ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

Except for HKFRS 16, 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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by major products or services lines:		
Trading Business:		
Sales of electronic products	300,109	111,409
Financial Business:		
Commission and brokerage income	4,351	9,158
Advisory and consultancy fee	775	1,050
	305,235	121,617
Revenue from other sources outside the scope of HKFRS 15:		
Financial Business:		
Interest income arising from financial business	4,630	4,501
Rental income	8,724	11,440
	13,354	15,941
	318,589	137,558

4. OTHER GAINS OR LOSSES

	Six Months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Provision of allowance for bad and doubtful debts	(25)	(183)
Fair value change on convertible bonds	–	(431)
Loss of redemption of convertible bonds	–	(266)
	(25)	(880)

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 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 from continuing operations					<u>198,325</u>

For the six months ended 30 June 2018:

	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>111,409</u>	<u>–</u>	<u>14,709</u>	<u>11,440</u>	<u>137,558</u>
Segment profit/(loss)	<u>4,636</u>	<u>(1,385)</u>	<u>1,280</u>	<u>9,275</u>	<u>13,806</u>
Other income					1,127
Fair value change of investment properties					4,394,245
Corporate and administration costs					<u>(36,304)</u>
Profit before taxation from continuing operations					<u>4,372,874</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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PRC	308,013	121,889
Hong Kong	9,756	14,707
Others	820	962
	<u>318,589</u>	<u>137,558</u>

6. FINANCE COSTS

Continuing operations

Interest on borrowings wholly repayable within five years:

	Six Months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Corporate bonds	877	1,005
Borrowing	12,426	12,456
Amount due to Directors	1,699	1,715
Lease liabilities	43	–
	<u>15,045</u>	<u>15,176</u>

7. PROFIT BEFORE TAXATION

Continuing operations

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

	Six Months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation	–	1,201
Depreciation of property, plant and equipment	3,439	164
Depreciation of right-of-use assets	218	–
Staff cost, including Directors' remuneration	17,056	15,308
Contributions to retirement benefits scheme (included in staff costs)	363	371
Cost of inventories recognised as expenses	297,351	106,670
Operating lease in respect of office premises	–	2,870
Expense relating to short-term leases	<u>1,560</u>	<u>–</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 2018 and 2019 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	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax	350	469
Deferred tax liabilities	<u>55,755</u>	<u>1,098,201</u>
	<u>56,105</u>	<u>1,098,670</u>

9. DISCONTINUED OPERATIONS

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 assets and liabilities attributable to the business, which were sold on 24 July 2018.

9. DISCONTINUED OPERATIONS (Continued)

The loss 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	–	–
Cost of Sales	–	–
Gross profit	–	–
Other income	–	5
Selling and distribution expenses	–	–
Administrative expenses	–	(422)
Loss from operation	–	(417)
Finance cost	–	(1)
Loss before taxation	–	(418)
Taxation	–	–
Loss for the period	–	(418)
Loss for the period from discontinued operations including the following:		
Depreciation	–	–
Amortisation	–	–
Interest income	–	5

10. DIVIDEND

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2018: 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	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>141,800</u>	<u>3,272,048</u>
Weighted average number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>4,000,000</u>	<u>3,024,717</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 from continuing operations for the six months ended 30 June 2019 and 30 June 2018.

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:

	2019	2018
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic earnings per share	<u>141,800</u>	<u>3,271,630</u>

For discontinued operations

During the six months ended 30 June 2018, basic loss per share for the discontinued operations is HK\$0.01 cents per share, based on the loss for the year from the discontinued operations of approximately HK\$418,000 and the denominators details above for both basic (loss)/earnings per share.

12. INVESTMENT PROPERTIES

30 June 2019

HK\$'000

As at 1 January 2018	598,151
Acquired on an acquisition of a subsidiary	607,695
Addition	6,628
Fair value change	289,004
Exchange adjustment	<u>(84,931)</u>
As at 31 December 2018 and 1 January 2019	1,416,547
Fair value change on investment properties	223,022
Exchange adjustment	<u>(9,394)</u>
As at 30 June 2019	<u><u>1,630,175</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 2019 have been arrived at on the basis of a valuation carried out on that day by Century 21 Surveyors Limited (31 December 2018: 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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Accounts receivable consist of:		
Accounts receivable arising from business of trading electronic products	73,050	179,912
Accounts receivable arising from business of trading natural resource and petrochemical	629	629
Less: Loss allowance for ECL	(629)	(629)
	–	–
Accounts receivable arising from business of properties investment	18,576	10,031
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	17,100	10,674
Less: Loss allowance for ECL	(10)	(6)
	17,090	10,668
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	–	2,614
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited (“HKFECC”) arising from the business of dealing in futures contracts	1,137	1,844
Loans to securities margin clients	70,510	68,646
Less: Loss allowance for ECL	(45)	(32)
	70,465	68,614
Accounts receivable arising from the business of advisory for financial management	8	6
	180,326	273,689

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 8.125% (31 December 2018: 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\$21,842,000 (31 December 2018: HK\$196,132,000). The percentage of collateral over the outstanding balance at 30 June 2018 ranged 2% to 8,964% (31 December 2018: 100% to 6,465%). 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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Unaudited)
0 to 90 days	11,116	148,003
91 – 180 days	58,900	31,909
Over 180 days	3,034	–
	<u>73,050</u>	<u>179,912</u>

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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Unaudited)
0 to 90 days	4,263	3,105
91 – 180 days	4,573	4,280
Over 180 days	9,740	2,646
	<u>18,576</u>	<u>10,031</u>

13. 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
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 90 days	14,458	9,050
91 – 180 days	623	1,618
Over 180 days	2,009	–
	17,090	10,668

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
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 90 days	–	–
Over 90 days	8	6
	8	6

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 2018: 0.225%) per annum and will be released upon the expiry of relevant banking facilities.

15. ACCOUNTS PAYABLE

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Accounts payable from trading of electronic products	102,109	186,705
Accounts payable from properties investment	7,113	6,636
Accounts payable arising from the business of dealing in securities:		
– Cash clients	103,958	95,250
– HKSCC	9,169	1,116
Accounts payable to clients arising from the business of dealing in futures contracts	2,045	2,968
Amounts due to securities margin clients	4,365	10,847
Accounts payable arising from the business of advisory for financial management	73	2
	<u>228,832</u>	<u>303,524</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.

15. ACCOUNTS PAYABLE (Continued)

The accounts payable amounting to approximately of HK\$108,131,000 (31 December 2018: HK\$104,231,000) 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 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Unaudited)
0 to 90 days	8,053	186,217
91 – 180 days	86,150	488
Over 180 days	7,906	–
	<u>102,109</u>	<u>186,705</u>

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

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
0 – 90 days	–	206
90 – 180 days	502	6,430
Over 180 days	6,611	–
	<u>7,113</u>	<u>6,636</u>

16. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.1 each		
<i>Authorised:</i>		
At 1 January 2018, 31 December 2018, 1 January 2019, 30 June 2019	<u>10,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2018	2,521,280	252,128
Conversion of issued convertible bonds (<i>note a</i>)	<u>1,478,720</u>	<u>147,872</u>
At 31 December 2018, 1 January 2019 and at 30 June 2019	<u><u>4,000,000</u></u>	<u><u>400,000</u></u>

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\$31,000 (2018: HK\$3,000) 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\$2,000 (2018: HK\$Nil) from ATAN, in which two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, have controlling interests.

- b) As at 30 June 2019, outstanding advances from a Director, Mr. Nam Kwok Lun, amounted to HK\$67,987,000 (31 December 2018: HK\$65,789,000). During the period, the Group paid finance cost of HK\$1,699,000 (2018: HK\$1,714,000) to the Director.
- c) During the period, the Group paid rental fee amounting to HK\$1,260,000 (2018: HK\$1,260,000) to a company in which Dr. Hui Chi Ming, a Director, has beneficial interest.
- d) As at 30 June 2019, outstanding advance from PAL Finance Limited, a wholly-owned subsidiary of ATNT, amounted to HK\$66,000,000 (31 December 2018: HK\$66,000,000). During the period, the Group paid finance costs approximately of HK\$1,686,000 (2018: HK\$1,853,000) 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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Short-term benefits	6,128	3,462
Post-employment benefits	63	45
	6,191	3,507

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2019, the total revenue for the Group was approximately HK\$318 million, representing an increase of approximately HK\$181 million or 132% as compared with approximately HK\$137 million in 2018. The increase was mainly attributable to an increase in sales of electronic products during the period review.

For the six months ended 30 June 2019, the profit attributable to the owners of the Company from continuing operations decreased to HK\$142 million, an decrease of HK\$3,130 million from the profit of HK\$3,272 million recorded for the six months ended 30 June 2018. The decrease was primarily due to the decrease of the fair value of investment properties of HK\$2.23 million (2018: HK\$4,390 million).

For the period under review, the earnings per share, basic and diluted, was approximately HK\$0.035. As at 30 June 2019, the net asset value per share was approximately HK\$0.8 (31 December 2018: HK\$0.77).

FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2019 was HK\$318 million (2018: HK\$137 million) representing a increase of 132% as compared to the same period of last year.

Gross profit

The resulting gross profit margin decreased from 20.8% for the six months ended 30 June 2018 to 6.24% for the six months ended 30 June 2019. The decrease was mainly due to increase in trading business which generate lower profit margin.

Administration expenses

Administration expenses, which represented 9.5% (2018: 25.06%) of the Group's revenue, decrease in percentage by 15.56% 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 2019 and the Group recorded similar level of finance costs of HK\$15 million for the six months ended 30 June 2019 as compared for the corresponding period last year.

Liquidity, financial resources and funding

As at 30 June 2019, the Group's cash and cash equivalents (excluding the restricted cash) were HK\$34,668,000 (31 December 2018: HK\$41,155,000).

The net current assets of the Group (without the disposal group held for sale) were HK\$1.82 billion (31 December 2018: HK\$1.84 billion), which consisted of current assets of HK\$2.2 billion (31 December 2018: HK\$2.3 billion) and current liabilities of HK\$4.3 million (31 December 2018: HK\$4.83 million), representing a current ratio of 5.2 (31 December 2018: 4.8).

During the period ended 30 June 2019, additional HK\$3 million corporate bond was issued. As at 30 June 2019, the Group has issued with maximum maturity 7.5 years corporate bonds with aggregate principal amount of HK\$24 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 2019, the Group's other borrowings and corporate bonds amounted to HK\$344,574,000 (31 December 2018: HK\$340,090,000).

The gearing ratio of the Group as at 30 June 2019 (defined as total interest-bearing liabilities divided by the Group's total equity) was 0.107 (31 December 2018: 0.11).

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 0.9 billion at approximately RMB4.0 billion, the portion of lands at approximately RMB3.1 billion will be used for residential purpose which are classified as inventories and another portion of lands at approximately RMB0.9 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 2019. Therefore, the fair value gain of approximately RMB223.0 million of the investment properties were recognised in the statement of profit or loss and other comprehensive income for the period ended 30 June 2019.

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. The rental income recorded by this Beijing property was approximately RMB6.8 million (2018: RMB9.0 million) for the six months ended 30 June 2019.

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 record loss of about HKD\$2 million for the six months under review amid the worsening Sino-American relationships. Market was firstly very volatile and vulnerable to the development of Sino-American relationship. Sentiment reversed negatively after Trump suddenly lifted up the import tax of US\$200 bn Chinese goods from 10% to 25% and China retaliated to raise tariffs on American goods of US\$60 bn in early May. The trade tension intensified further as President Trump excused national securities to ban the purchase of Huawei products by US corporations and the Commerce Department blacklisted Huawei to source software and parts from US supplier. More Chinese technological companies were blacklisted casting great uncertainties. Subsequent Fed FOMC meetings from June showed possible interest rate cuts and this at one time underpinned the market. On 29 June 2019, President Xi and Trump met in the G20 summit in Japan and reached a temporary truce where both countries agreed to continue negotiations on the trade deal and USA will hold up putting new tariffs and allow US company to supply parts to Huawei. Global stock market rebounded sharply thereafter. The market sentiment was still sensitive to the reading of Sino-US trade deal and the extent of interest cut in USA. Coupled with the slide in Dow on recession fears, HSI dived to below 25,000 testing the level of last October. Market sentiment became bearish on gloomy outlook.

We have expanded into the algorithmic securities trading business in spite of the gloomy market outlook. In the meantime, the weekly trading volume is HK\$80M per week and the Group expects the trading volume to increase substantially in the near future.

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\$300.0 million (2018: 111.4 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. Both Licence 253 and 341 are still valid and the expiry dates are 19 May 2020 and 2 January 2020 respectively.

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.

PROSPECT

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 property development 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. In addition, we will expand our algorithmic securities trading services and diversify our financial services into other areas.

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 2019, no such facilities were utilised by the subsidiary to facilitate daily operation (31 December 2018: nil).

CHARGE ON ASSETS

As at 30 June 2019, 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 2019. The Group's banking facilities were secured by guarantees given by the Group's bank deposits and the Company. As at 30 June 2019, bank deposits amounting to approximately HK\$5,257,000 (31 December 2018: HK\$5,251,000) 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 2019, the total number of issued ordinary shares of the Company was 4,000,000,000 of HK\$0.10 each (31 December 2018: 4,000,000,000 shares of HK\$0.10 each).

APPOINTMENT OF EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTOR

With effect from 25 February 2019, Mr. Chan Tsang Mo has been appointed as an Independent non-executive Director of the Company and Mr. Chen Wei-Ming Eric has tendered his resignation as an independent non-executive Director of the Company respectively.

With effect from 10 May 2019, Mr. Ma Kin Ling has been appointed as an Independent non-executive Director of the Company and Mr. Yim Kai Pung has tendered his resignation as an independent non-executive Director of the Company respectively.

With effect from 19 August 2019, Mr. Tam Chak Chi has been appointed as an Independent non-executive Director of the Company and Mr. Ng Chi Kin David has tendered his resignation as an independent non-executive Director of the Company respectively.

HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of 153 staff (2018: 146) of which 20 were commission based (2018: 20) and the total related staff cost amounted to HK\$17,056,000 (2018: HK\$15,308,000). 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 2019 (2018: 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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six month period ended 30 June 2019, 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 Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company at www.hkfi.hk under the section “Announcement” of Corporate Information and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk “Latest Listed Company Information”. The 2019 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, 30 August 2019

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. Chan Tsang Mo, Mr. Ngan Kam Biu, Stanford, Mr. Tam Chak Chi and Mr. Ma Kin Ling.