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Hoifu Energy Group Limited

凱富能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The Board of Directors (the "Board") of Hoifu Energy Group Limited (the "Company") announced the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six Months ended 30 June	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**90,013**	80,698
Cost of goods sold and direct cost		**(58,700)**	(35,317)
Gross profit		**31,313**	45,381
Other income		**3,394**	1,955
Other gains or losses	*4*	**(5,234)**	5,153
Selling and distribution expenses		**(357)**	–
Administrative expenses		**(32,569)**	(27,468)
(Loss)/profit from operation		**(3,453)**	25,021
Finance costs	*6*	**(2,228)**	(2,492)
(Loss)/profit before taxation	*7*	**(5,681)**	22,529
Taxation	*8*	**(4,199)**	(3,744)
(Loss)/profit for the period		**(9,880)**	18,785

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — continued
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six Months ended 30 June	
		2016	2015
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive expenses, including reclassification adjustments and net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(3,445)**	893
Release of currency translation reserve upon disposal of subsidiaries		**–**	(32,437)
Other comprehensive expenses for the period		**(3,445)**	(31,544)
Total comprehensive expenses for the period		**(13,325)**	(12,759)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(15,593)**	18,012
Non-controlling interests		**5,713**	773
		(9,880)	18,785
Total comprehensive expenses for the period attributable to:			
Owners of the Company		**(17,636)**	(13,932)
Non-controlling interests		**4,311**	1,173
		(13,325)	(12,759)
(Loss)/earnings per share — Basic	*10*	**(HK0.95 cents)**	HK1.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	NOTES	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
NON-CURRENT ASSETS			
Fixed assets		**180,539**	176,953
Intangible assets		**49,219**	51,414
Prepaid land leases		**6,924**	7,169
Exploration and evaluation assets		**4,889**	4,889
Deposits paid for acquisition of fixed assets		**–**	8,730
Deposits paid for acquisition of subsidiaries		**58,370**	–
Statutory deposits		**4,087**	4,276
Loans receivable		**1,522**	655
		305,550	254,086
CURRENT ASSETS			
Inventory		**4,705**	1,100
Prepaid land leases		**176**	180
Accounts receivable	*11*	**160,152**	147,346
Loans receivable		**10,700**	589
Other receivables, prepayments and deposits		**179,982**	345,322
Pledged fixed deposits (general accounts)	*12*	**7,867**	5,216
Bank balances (trust and segregated accounts)		**92,866**	88,209
Bank balances (general account) and cash		**54,350**	50,390
		510,798	638,352
CURRENT LIABILITIES			
Accounts payable	*13*	**127,266**	126,380
Other payables and accrued expenses		**36,996**	48,918
Amount due to Directors		**128,755**	174,877
Tax payable		**11,212**	7,866
		304,229	358,041
NET CURRENT ASSETS		**206,569**	280,311
TOTAL ASSETS LESS CURRENT LIABILITIES		**512,119**	534,397
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,364**	13,991
NET ASSETS		**498,755**	520,406

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued
AT 30 JUNE 2016

	NOTE	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	*15*	**163,557**	165,024
Reserves		**190,585**	215,080
Equity attributable to owners of the Company		**354,142**	380,104
Non-controlling interests		**144,613**	140,302
TOTAL EQUITY		**498,755**	520,406

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

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

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

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to HKFRSs:

Amendments to a number of HKFRSs	*Annual Improvements 2012–2014 Cycle*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12, and HKAS 28	*Investment Entities: Applying the Consolidated Exception*
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*

The application of the above new Interpretation and 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	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of mineral products	**75,110**	56,902
Commission and brokerage income	**4,467**	16,465
Interest income arising from financial business	**5,873**	4,670
Advisory and consultancy fee	**4,563**	2,661
	90,013	80,698

4. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other receivables written off	**–**	(11,348)
Provision of allowance for bad and doubtful debts	**(215)**	(293)
Net exchange loss	**(5,019)**	(194)
Gain on bargain purchase	**–**	30,496
Loss on disposal of a subsidiary	**–**	(5,888)
Fair value change on profit guarantee	**–**	(7,620)
	(5,234)	5,153

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 2016:

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

5. SEGMENT INFORMATION — continued

For the six months ended 30 June 2015:

	Trading business *HK$'000*	Mineral mining, oil and gas business *HK$'000*	Financial business *HK$'000*	Consolidated *HK$'000*
REVENUE				
Segment revenue	–	56,902	23,796	80,698
RESULTS				
Segment profit	–	47,491	8,634	56,125
Corporate administration costs				(33,596)
Profit before taxation				22,529

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.

The geographical information of revenue is shown as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC	**75,110**	56,902
Hong Kong	**14,903**	23,796
	90,013	80,698

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest from bank loan and other borrowing wholly repayable within five years	**2,228**	2,492

7. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation	**1,291**	1,202
Depreciation	**3,107**	644
Staff cost, including Directors' remuneration	**16,386**	15,448
Contributions to retirement benefits scheme (included in staff costs)	**362**	397
Cost of inventories recognised as expense	**55,559**	27,526
(Gain)/loss from error trades	**(3)**	3
Interest income on bank deposits (included in other income)	**(9)**	(284)
Operating lease in respect of office premises	**3,822**	4,000

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 2015 and 2016 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 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.

	2016	2015
	HK$'000	*HK$'000*
Current tax		
— PRC enterprise income tax	**4,559**	4,104
Deferred tax liabilities	**(360)**	(360)
	4,199	3,744

9. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2015: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share	**(15,593)**	18,012
Weighted average number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,639,435**	1,581,793

No diluted (loss)/earnings per share was presented as there were no potential ordinary shares during the six months ended 30 June 2015 and 2016.

11. ACCOUNTS RECEIVABLE

	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accounts receivable arising from business of trading natural resources and petrochemicals	**–**	20,955
Accounts receivable arising from mineral business	**57,924**	2,540
Accounts receivable arising from the business of dealing in securities		
— Cash clients	**18,897**	23,840
Less: Allowance for doubtful debts	**(7,001)**	(6,786)
	11,896	17,054
— Hong Kong Securities Clearing Company Limited ("HKSCC")	**17,582**	7,891
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**2,718**	2,726
Loans to securities margin clients	**69,366**	93,505
Less: Allowance for doubtful debts	**(86)**	(86)
	69,280	93,419
Accounts receivable arising from the business of advisory for financial management	**752**	225
Account receivables from brokers	**–**	2,536
	160,152	147,346

Accounts receivable arising from trading of natural resources and petrochemicals were 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.

11. 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 2015: 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$227,778,000 (31 December 2015: HK$263,005,000). The percentage of collateral over the outstanding balance at 30 June 2016 ranged from 92% to 13,134% (31 December 2015: 111% to 3,883%). 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 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
0 to 90 days	**752**	125
More than 90 days	**–**	100
	752	225

The aged analysis of accounts receivable arising from minerial mining business and cash clients is as follows:

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
0 to 90 days	**66,403**	12,116
91 days to 180 days	**3,417**	7,478
	69,820	19,594

12. PLEDGED FIXED DEPOSITS

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 2015: 0.225%) per annum and will be released upon the expiry of relevant banking facilities.

13. ACCOUNTS PAYABLE

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Accounts payable from mineral business	**23,605**	29,489
Accounts payable arising from the business of dealing in securities:		
— Cash clients	**87,794**	83,159
— HKSCC	**–**	–
Accounts payable to clients arising from the business of dealing in futures contracts	**6,527**	6,678
Amounts due to securities margin clients	**9,340**	7,054
	127,266	126,380

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

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

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

The accounts payable amounting to HK$92,866,000 (31 December 2015: HK$88,209,000) 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 payable arising from mineral mining business is as follows:

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
0 to 90 days	**17,090**	883
91 days to 180 days	**6,515**	28,606
	23,605	29,489

14. RELATED PARTY TRANSACTIONS

Transactions with related parties:

(a) During the period, the Group received commission income and other securities dealing income from securities dealing of HK$8,000 (2015: HK$122,000) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.

(b) During the period, the Group received commission income and other securities dealing income from securities dealing of HK$31,000 (2015: HK$51,000) from Asia Tele-Net and Technology Corporation Limited ("ATNT"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange in which two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, have controlling interests.

(c) As at 30 June 2016, outstanding advances from a Director, Mr. Nam Kwok Lun, amounted to HK$126,386,000 (31 December 2015: HK$124,877,000). During the period, the Group paid finance cost of HK$2,228,000 (2015: HK$2,485,000) to the Director.

(d) As at 30 June 2016, outstanding advances from a Director, Dr. Hui Chi Ming, amounted to HK$2,369,000 (31 December 2015: HK$50,000,000).

(e) During the period, the Group paid rental fee amounting to HK$1,200,000 (2015: HK$1,100,000) to a company in which Dr. Hui Chi Ming, a Director, has beneficial interest.

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**4,184**	3,559
Post-employment benefits	**65**	39
	4,249	3,598

15. SHARE CAPITAL

	Number of shares	
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	10,000,000	1,000,000
Issued and fully paid:		
At 1 January 2015	1,543,452	154,345
Share repurchased and cancelled *(note a)*	(17,214)	(1,721)
Issue on 16 February 2015 *(note b)*	30,000	3,000
Issue on 16 March 2015 *(note c)*	30,000	3,000
Issued in consideration for the acquisition *(note d)*	64,000	6,400
At 31 December 2015 and 1 January 2016	1,650,238	165,024
Share repurchased and cancelled *(note e)*	(14,670)	(1,467)
At 30 June 2016	1,635,568	163,557

Notes:

(a)

Month of repurchase	No. of ordinary shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
November 2014 *	40,000	1.03	1.03	41
December 2014*	8,810,000	1.04	0.94	8,766
April 2015	322,000	1.02	1.02	328
May 2015	30,000	1.18	1.18	35
August 2015	8,012,000	1.19	0.90	8,439

* The shares repurchased during November 2014 and December 2014 have not been cancelled in 2014 and have been cancelled subsequently in January 2015.

The above shares were cancelled during the year ended 31 December 2015.

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

(b) Pursuant to subscription agreement dated 6 February 2015 entered into between Mr. Zhu Yongwen ("Subscriber") and the Company, Subscriber subscribed for 30,000,000 new shares of HK$0.10 in the Company at price of HK$1.23 per share. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 20 June 2014. All the issued shares rank pari passu in all respects with other shares in issue.

(c) Pursuant to subscription agreement dated 9 February 2015 entered into between Mr. Zhu Yongwen ("Subscriber") and the Company, Subscriber subscribed for 30,000,000 new shares of HK$0.10 in the Company at price of HK$1.20 per share. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 20 June 2014. All the issued shares rank pari passu in all respects with other shares in issue.

15. SHARE CAPITAL — continued

(d) During the year ended 31 December 2015, the Company has issued 64,000,000 ordinary shares at price of HK$1.25 each for acquiring 100% equity interest of New Praise International Limited.

(e) During the period, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK$0.10 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
February 2016	14,672,000	0.70	0.50	8,326

The above shares were cancelled during the period.

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

16. EVENT AFTER THE REPORTING PERIOD

On 19 May 2016, Karl Thomson Securities Company Limited ("KTS"), a wholly own subsidiary of the Company, entered into the Promoter's Agreement to set up a joint venture securities company (the "JV") in Guangzhou Pilot Free Trade Zone, Nansha area under the framework of the CEPA and the KTS agreed to subscript 350,000,000 shares of the JV with total considerations of RMB350 million. The transaction has not yet completed and the detail of the transaction are set out in the Group's announcement dated 19 May 2016, 10 June 2016, 30 June 2016 and circular dated 20 July 2016.

On 13 June 2016, Hoifu Energy Holdings Limited ("Hoifu Energy"), a wholly owned subsidiary of the Company has entered into agreement to acquire 100% equity interest of Millhaven Holdings Limited and its subsidiary (the "Millhaven Group") with total considerations of RMB433,350,750, of which a deposit of RMB50 million was paid by the Company. The Millhaven Group is mainly engaged in properties holdings business and hold a premises comprised with commercial podium, car park and storage room with total gross area of approximately 16,360 square meter located at Beijing. The Millhaven Group is wholly owned by Dr. Hui Chi Ming who is also the director and controlling shareholders of the Company. The transaction are not yet completed and the details of the transaction are set out in the Group's announcement dated 13 June 2016 and 4 August 2016.

On 14 July 2016, the Company has issued 50,000,000 new shares at price of HK$0.7 per share with total consideration of HK$35,000,000 to an independent third party. The gross proceeds from the subscription will be HK$35,000,000 and the net proceeds from the subscription, after deduction of related expenses of approximately HK$200,000, is estimated to be approximately HK$34,800,000. The net proceeds raised are intended to be used for general working capital and future business development and investments of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2016, the total revenue for the Group was approximately HK$90,013,000 (2015: HK$80,698,000).Loss attributable to owners of the Company was approximately HK$15,593,000 (2015: Profit of HK$18,012,000).

The significant decrease in profit was mainly due to (i) the change of mineral product mix produced and sold by Hebei Panbao Zeolite Technology Co., Ltd. to one with lower gross profit margin during the period; (ii) significant decrease in transaction volume in the financial business, especially commission and brokerage income; (iii) exchange loss arising from depreciation of Renminbi, the Group's functional currency and (iv) increase in depreciation of fixed asset due to the acquisition of an integrated commercial and residential property in Madagascar.

FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2016 was approximately HK$90 million (June 2015: HK$80.7 million) representing an increase of 11.54% as compared to the same period of last year. The sale of mineral products recorded an increase by 32% to approximately HK$75 million (June 2015: HK$57 million). However, such increase has been offset during the first half of 2016 because there was a significant decrease in commission and brokerage income by 72.87% due to the languishing total market turnover of the Hong Kong stock market.

Gross profit

For the six months ended 30 June 2016, the Group's gross profit decreased to approximately RMB31 million, as compared to RMB45 million for the six months ended 30 June 2015. The decrease in the Group's gross profit was mainly due to the substantial decrease in gross profit margin of Hebei Panbao Zeolite Technology Co., Ltd. The Group's gross profit margin decreased to 34.79% for the six months ended 30 June 2016 from 56.24% for the corresponding period of 2015.

Decrease in gross profit margin is due to the fact that the market demand for the products of dearsenication, defuorination and supported far Infrared formulation with higher gross profit margin has declined significantly in the first half of the year. The Group mainly generated its revenue by selling products of organic fertilizer, soil conditioner and water treatment chemicals with lower gross profit margin in the first half of the year. With the demand for dearsenication and defuorination products picking up in the second half of the year, sales volume of products with high margin will gradually increase and boost gross profit margin accordingly.

Administration expenses

Administration expenses, which represented approximately 36.18% (2015: 34.0%) of the Group's revenue, increased by approximately 18.57% to approximately HK$32.6 million for the six months ended 30 June 2016 from approximately HK$27.5 million for the six months ended 30 June 2015. The increase was mainly due to the increase in the depreciation, staff costs, rents of offices as well as legal and professional fees on acquisitions during the period under review.

Other gains and losses

During the period under review, the Group recorded other losses of approximately HK$5.2 million (2015: other gains of approximately HK$5.2 million).

The other losses was mainly due to significant exchange loss arising from Renminbi depreciation. Other than this, there were no exceptional items during the first half of 2016. The extraordinary items incurred in 2015 including (i) an one-off gain on bargain purchase of approximately HK$30.5 million resulted from completion of the acquisition of 55% equity interest in Hebei Panbao; (ii) written off of other receivables of HK$11.3 million arising from withdrawal of investment in Beibuwan Yuchai Energy Project which announced on 5 February 2016; (iii) loss on disposal of subsidiaries of HK$5.9 million and (iv) fair value loss of profit guarantee of HK$7.6 million.

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.

FINANCIAL BUSINESS

The Group is generating revenue from securities, futures and options broking business, underwriting commission, advisory for financial management business and interest income from securities margin loan portfolio. During the first half of 2016, the revenue for the Group was approximately HK$14.9 million, representing a decrease of approximately 37% as compared to the corresponding period of 2015. The business was negatively impacted by the languishing total market turnover of the Hong Kong stock market in the first half of 2016. According to the statistics provided by Hong Kong Exchanges and Clearing Limited, the average daily turnover of the Main Board for the first half year of 2016 was approximately HK$67.04 billion, which decreased by approximately 46% as compared to HK$123.98 billion for the corresponding period of 2015. The drop in market turnover was mainly resulting from the fears of China's economy entering into a hard landing.

The Group has always aimed to enhance its service capacity in the financial services industry and to pursue new opportunities in the financial services industry in order to enhance values to the shareholders of the Company. As a result, the Group entered into a promoters' agreement with co-promoters pursuant to which the parties thereto conditionally agreed to set up a joint venture securities company (the "JV Securities Company") in Guangzhou Pilot FreeTrade Zone, Nanshan area under the framework of CEPA. The Group conditionally agreed to invest RMB350 million in the JV Securities Company by way of subscription of 350,000,000 shares of the JV Securities Company, representing 10% equity interest thereof for an aggregate subscription price of RMB350 million (the "JV Investment"). The Board believes that the JV Investment could offer a golden opportunity for the Company to embark on a new milestone in its business development in financial services industry. The JV Investment, when materialized, would offer a first-starter advantage to the Group to access to the huge and fast-growing financial markets in the PRC.

The setup of the JV securities Company is subject to the approval of China Securities Regulatory Commission (the "CSRC"). The formal application was made to the CSRC on 16 June 2016 and it is anticipated that approval will be given by the end of the year.

MATERIAL ACQUISITION

On 13 June 2016, the Group entered into agreement to acquire the entire equity interest in the Millhaven Holdings Limited together with its interest in relating to a property (the "Beijing Property") which covers an area of 16,360.03 square meter at the Rong Ning Yuan Community of 60 Guang An Men Nan Jie, Xicheng District, Beijing, PRC, which includes (i) the 1st and 2nd floor of the commercial podium of Tower 2 with an area of 1,323.61 square meter; and (ii) the car park and storage rooms at the basement of Tower 1 to Tower 6 with an area of square meter. 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 Beijing Property enjoys comprehensive ancillaries in the neighborhood. Up to the date of this announcement, the Company is still preparing the circular regarding this acquisition.

PROSPECT

In light of an expected slowdown of China's economic growth, the adverse market conditions are here to stay. Facing the tough economic environment, the management of the Group is prompt to adjust its investment strategy by acquiring the Beijing Property which is expected to generate stable income in difficult economic situations. However, the management is of the view that China is still providing huge opportunity to the Group which again acted swiftly to make its expansion to China by joining other co-promoters to set up JV Securities Company to embark on a new milestone in its business development in financial services industry.

The Group will continue to seek potential merger and acquisition opportunities that could create synergies, accelerate its growth, or provide breakthroughs in its business. At the same time, the Group will also focus on cultivating its core businesses in financial industry as well as mining and production of zeolite.

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.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2016, the Group had shareholders' funds of approximately HK$498,755,000 (31 December 2015: HK$520,406,000). The net current assets of the Group were HK$206,569,000 (31 December 2015: HK$280,311,000), which consisted of current assets of HK$510,798,000 (31 December 2015: HK$638,352,000) and current liabilities of HK$304,229,000 (31 December 2015: HK$358,041,000), representing a current ratio of approximately 1.68 (31 December 2015: 1.78).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, financial institutions and equity financing. During the period, the Group obtained short-term bank borrowings which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 30 June 2016, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK$54,350,000 (31 December 2015: HK$50,390,000).

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 2016, no such facilities were utilised by the subsidiary to facilitate daily operation (31 December 2015: nil).

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2016. The Group's banking facilities were secured by guarantees given by the Group's bank deposits and the Company.

As at 30 June 2016, bank deposits amounting to approximately HK$7,867,000 (31 December 2015: HK$5,216,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 30 June 2016, the total number of issued ordinary shares of the Company was 1,635,566,601 of HK$0.10 each (31 December 2015: 1,650,238,601 shares of HK$0.10 each).

SHARES PLACEMENT

Pursuant to a subscription agreement dated 14 July 2016 entered into between Mr. Weng Tao ("Subscriber") and the Company, Subscriber subscribed for 50,000,000 new shares of HK$0.10 in the Company at a price of HK$0.70 per share. The issue price of HK$0.70 per share represents i)) a premium of approximately 1.45% over the closing price of HK$0.69 per Share as quoted on the Stock Exchange on 14 July 2016, being the date of the Subscription Agreement; (ii) a premium of approximately 4.48% over the average closing price of HK$0.67 per Share for the last five trading days immediately prior to and including the date of the Subscription Agreement; (iii) a premium of approximately 7.86% over the average closing price of HK$0.649 per Share for the last ten trading days immediately prior to and including the date of the Subscription Agreement; and (iv) a premium of approximately 201.72% over the net asset value of approximately HK$0.232 per Share. The Subscription Shares issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 June 2016. All the issued shares rank pari passu in all respects with other shares in issue. Details of the subscription have been disclosed in the announcement dated on 14 July 2016.

The gross proceeds from the Subscription will be HK$35,000,000 and the net proceeds from the Subscription, after deduction of related expenses of approximately HK$200,000, is estimated to be approximately HK$34,800,000. The net proceeds raised are intended to be used for general working capital and future business development and investments of the Group.

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of 214 staff (2015: 114) of which 31 were commission based (2015: 49) and the total related staff cost amounted to HK$16,386,000 (2015: HK$15,448,000). 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 2016 (2015: Nil).

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

During the six months ended 30 June 2016, the Company has repurchased 14,672,000 shares from the market at a share price range from HK$0.50 to HK$0.70 with total considerations amounted to HK$8,326,160. The details of repurchase of the Company's shares have been disclosed in the note 15(a) of the condensed consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six month period ended 30 June 2016, 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 all of its independent non-executive Directors, namely Messrs. Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David. 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.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is composed of three Directors, namely Messrs. Chui Say Hoe, Chen Wei-Ming Eric and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts; making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") is composed of three Directors, namely Messrs. Hui Chi Ming, Chen Wei-Ming Eric and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

REVIEW OF INTERIM RESULTS

The Audit Committee and the Group's auditor, Elite Partners CPA Limited, have reviewed the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the unaudited interim results announcement of the Company for the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company at www.hoifuenergy.com under the section "Announcement" of Corporate Information and Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk "Latest Listed Company Information". The 2016 interim report will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 August 2016

As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises seven 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. Lam Kwok Hing and Mr. Nam Kwok Lun; and three independent non-executive Directors, namely, Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David.