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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board (the “Board”) of directors (the “Directors”) of Asia Investment Finance Group Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended June 30, 2017, together with the comparative figures for the corresponding period in 2016. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s independent external auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2017

		Six months ended June 30,	
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	135,195	32,863
Cost of sales		(124,400)	(27,731)
Gross profit		10,795	5,132
Other revenue		395	690
Operating expenses		(56,275)	(38,199)
Operating loss		(45,085)	(32,377)
Finance costs	6	(3,208)	(2,196)
Other non-operating expenses		(5,692)	(12,058)
Share of loss of an associate		–	(1,027)
Loss before taxation	7	(53,985)	(47,658)
Taxation	8	–	–
Loss for the period		(53,985)	(47,658)

		Six months ended June 30,	
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss for the period		(53,985)	(47,658)
Other comprehensive income/(loss):			
Other comprehensive income/(loss) maybe reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		5,799	(3,276)
Fair value changes in available-for-sale financial assets		<u>—</u>	<u>(1,473)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>5,799</u>	<u>(4,749)</u>
Total comprehensive loss for the period		<u>(48,186)</u>	<u>(52,407)</u>
Loss for the period attributable to:			
Equity shareholders of the Company		(53,907)	(46,163)
Non-controlling interests		<u>(78)</u>	<u>(1,495)</u>
		<u>(53,985)</u>	<u>(47,658)</u>
Total comprehensive loss for the period attributable to:			
Equity shareholders of the Company		(48,546)	(50,657)
Non-controlling interests		<u>360</u>	<u>(1,750)</u>
		<u>(48,186)</u>	<u>(52,407)</u>
Dividend	9	<u>—</u>	<u>—</u>
Loss per share			
— Basic	10	<u>(0.58 cents)</u>	<u>(0.56 cents)</u>
— Diluted	10	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2017

	<i>Notes</i>	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	33,449	29,882
Intangible assets		18,388	18,388
Deposit paid		–	16,000
Goodwill	<i>12</i>	3,000	3,000
Interest in an associate	<i>13</i>	56,000	–
Deferred tax assets		1,879	1,879
		<hr/> 112,716 <hr/>	<hr/> 69,149 <hr/>
Current assets			
Inventories		8,475	7,672
Trading securities	<i>14</i>	31,202	98,297
Loan receivables	<i>15</i>	155,341	155,596
Trade receivables	<i>16</i>	18,165	23,640
Prepayments, deposits and other receivables	<i>17</i>	160,828	163,718
Tax recoverable		268	580
Client trust bank balance		5,678	2,592
Cash and cash equivalents		76,658	103,831
		<hr/> 456,615 <hr/>	<hr/> 555,926 <hr/>
Total assets		<hr/> 569,331 <hr/>	<hr/> 625,075 <hr/>
Equity			
Share capital	<i>18</i>	933,307	936,807
Reserves		(515,998)	(468,246)
		<hr/> 417,309 <hr/>	<hr/> 468,561 <hr/>
Equity attributable to shareholders of the Company		417,309	468,561
Non-controlling interests		14,771	14,411
		<hr/> 432,080 <hr/>	<hr/> 482,972 <hr/>
Total equity		<hr/> 432,080 <hr/>	<hr/> 482,972 <hr/>

		As at June 30, 2017 HK\$'000 (Unaudited)	As at December 31, 2016 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		<u>52</u>	<u>52</u>
Current liabilities			
Trade payables	20	13,208	10,437
Accruals and other payables		28,191	38,975
Convertible bonds	19	<u>95,800</u>	<u>92,639</u>
		<u>137,199</u>	<u>142,051</u>
Total equity and liabilities		<u><u>569,331</u></u>	<u><u>625,075</u></u>
Net current assets		<u><u>319,416</u></u>	<u><u>413,875</u></u>
Total assets less current liabilities		<u><u>432,132</u></u>	<u><u>483,024</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and domiciled in the Cayman Islands. Its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 2017 comprises the Company and its subsidiaries (together referred to as the “Group”). The Company is an investment holding company. The Group is principally engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals.

The address of its principal place of business in Hong Kong is Unit 3201, 32/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

(b) Judgments and estimates

Preparing the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

3. PRINCIPAL ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these condensed consolidated interim financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are relevant to the Group but are not yet effective for the six months ended June 30, 2017 and have not been adopted in these condensed consolidated interim financial statements:

	Effective for accounting periods beginning on or after
HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures, Amendment	A date to be determined
HKFRS 15 Revenue from contracts with customers	1 January 2018
HKFRS 9 Financial instruments	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENTS

Reconciliation of operating results reviewed by CODM which are different from the Group's results are as follows:

For six months ended June 30, 2017

The segment results for the six months ended June 30, 2017 are as follows:

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
Revenue						
External sales	<u>844</u>	<u>6,407</u>	<u>4,041</u>	<u>26,525</u>	<u>97,378</u>	<u>135,195</u>
Result						
Segment results	<u>(8,804)</u>	<u>6,398</u>	<u>(1,633)</u>	<u>(1,890)</u>	<u>(2,345)</u>	<u>(8,274)</u>
Interest income						113
Sundry income						282
Unallocated corporate expenses						(42,898)
Interest expenses						<u>(3,208)</u>
Loss before taxation						(53,985)
Income tax expenses						<u>-</u>
Loss for the period						<u>(53,985)</u>
Other segment information						
Capital expenditure of property, plant and equipment	768	-	-	54	-	822
Depreciation	121	2	275	314	2	714
Capital expenditure of property, plant and equipment of unallocated corporate assets						6,297
Depreciation of unallocated corporate assets						<u>2,199</u>

As at June 30, 2017

The segment assets and liabilities as at June 30, 2017 are as follows:

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
ASSETS						
Segment assets	30,773	127,501	99,765	19,484	41,145	318,668
Bank balances and cash (including client trust balance)						82,336
Unallocated corporate assets						<u>168,327</u>
Consolidated total assets						<u><u>569,331</u></u>
LIABILITIES						
Segment liabilities	6,924	800	-	5,342	1,095	14,161
Unallocated corporate liabilities						<u>123,090</u>
Consolidated total liabilities						<u><u>137,251</u></u>

For six months ended June 30, 2016

The segment results for the six months ended June 30, 2016 are as follows:

	Credit guarantee and investment business <i>HK\$'000</i>	Trading and manufacturing of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Assets management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited					
Revenue					
External sales	<u>2,026</u>	<u>30,837</u>	<u>-</u>	<u>-</u>	<u>32,863</u>
Result					
Segment results	<u>(1,300)</u>	<u>(1,666)</u>	<u>(2,396)</u>	<u>(2,077)</u>	<u>(7,439)</u>
Interest income					30
Sundry income					660
Unallocated corporate expenses					(30,661)
Interest expenses					(2,196)
Loss on disposal of an associate					<u>(8,052)</u>
Loss before taxation					(47,658)
Income tax expenses					<u>-</u>
Loss for the period					<u>(47,658)</u>
Other segment information					
Capital expenditure of property, plant and equipment	-	-	-	947	947
Depreciation	52	206	2	12	272
Capital expenditure of property, plant and equipment of unallocated corporate assets					28,030
Depreciation of unallocated corporate assets					<u>1,262</u>

As at December 31, 2016

The segment assets and liabilities as at December 31, 2016 are as follows:

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	34,295	154,161	115,819	21,778	30,942	356,995
Bank balances and cash (included restricted cash)						106,423
Unallocated corporate assets						<u>161,657</u>
Consolidated total assets						<u><u>625,075</u></u>
LIABILITIES						
Segment liabilities	7,227	81	–	3,210	21,244	31,762
Unallocated corporate liabilities						<u>110,341</u>
Consolidated total liabilities						<u><u>142,103</u></u>

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned or loss incurred by each segment without allocation of administrative expenses, other income, other gains and losses and finance cost. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. REVENUE

An analysis of revenue is as follows:

	Six months ended June 30,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Credit guarantee service and investment income	4,041	2,026
Trading of party products	26,525	30,837
Brokerage commission income and assets management income	844	–
Interest income from money lending business	6,407	–
Trading of metals and minerals	97,378	–
	<u>135,195</u>	<u>–</u>
Total	<u><u>135,195</u></u>	<u><u>32,863</u></u>

6. FINANCE COSTS

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Margin interest expenses	47	–
Imputed interest expenses on convertible bonds	3,161	2,196
	<u>3,208</u>	<u>2,196</u>
Total	<u>3,208</u>	<u>2,196</u>

7. LOSS BEFORE TAXATION

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Depreciation	2,913	1,534
Staff costs, including directors' emoluments	22,053	14,724
Interest income	(113)	(30)
Written off of other receivables	–	3,148
Unrealised loss on fair value change of trading securities	9,699	–
(Gain)/loss on disposal of trading securities	(4,007)	900
Loss on disposal of an associate	–	8,052
	<u>–</u>	<u>8,052</u>

8. TAXATION

No Hong Kong Profits Tax was provided as there was no estimated assessable profit for the period (June 30, 2016: Nil).

9. DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2017 (June 30, 2016: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the interim period was based on the consolidated loss attributable to equity shareholders of the Company of approximately HK\$53.9 million (June 30, 2016: approximately HK\$46.2 million) and the weighted average number of shares in issue during the period, which was 9,358,983,602 shares (June 30, 2016: 8,302,137,934 shares).

Since the impact of the potential ordinary shares on the conversion of outstanding convertible bonds on the loss per share are anti-dilutive, the diluted loss per share were not presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2017, the Group incurred approximately HK\$7.1 million (for the six months ended June 30, 2016: approximately HK\$29.0 million) on acquisition of property, plant and equipment.

12. GOODWILL

	As at June 30, 2017 HK\$'000 (Unaudited)	As at December 31, 2016 HK\$'000 (Audited)
At the beginning of the period/year	3,000	18,863
Arising from acquisition of subsidiaries	–	3,000
Arising from deregistration of subsidiaries	–	(18,863)
	<hr/>	<hr/>
At the end of the period/year	<u>3,000</u>	<u>3,000</u>

13. INTEREST IN AN ASSOCIATE

The following list contains the associate which is an unlisted corporate entity of which the quoted market price is not available:

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
Sunrise Insurance Broker Company Limited	PRC	RMB40,100,000	24%	Provision of insurance brokerage service

The above interest is acquired on 30 June 2017.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	As at June 30, 2017 HK\$'000 (Unaudited)
Non-current assets	3,350
Current assets	18,314
Current liabilities	(16,058)
	<hr/>
Gross amount of net assets of the associate	5,606
% of equity interest acquired	24%
Group's share of net assets of the associate	1,346
Goodwill	54,654
	<hr/>
Carrying amount of interest in an associate	<u>56,000</u>

14. TRADING SECURITIES

	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
Trading securities		
— Listed equity shares listed in Hong Kong	<u>31,202</u>	<u>98,297</u>

The trading securities are initially recognized at fair value. The Group holds the trading securities for trading purpose. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognized in profits or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

15. LOAN RECEIVABLES

	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
Loan receivables from money lending business	117,000	118,000
Loan advanced to other third parties	<u>38,341</u>	<u>37,596</u>
	<u>155,341</u>	<u>155,596</u>

Loan receivables bear interest at rates ranged from 12% p.a. to 20% p.a., and with credit periods, mutually agreed between the contracting parties. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. The Group holds collateral against several loan receivables. There is no overdue balance as at June 30, 2017.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
Repayable:		
Within 1 year	<u>155,341</u>	<u>155,596</u>

16. TRADE RECEIVABLES

	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
Trade receivables arising from dealing in securities and margins:		
— Client arising from dealing in securities and margins	2,453	4,672
— Clearing house	1,199	3,060
	<u>3,652</u>	<u>7,732</u>
Trade receivables arising from money lending business	1,320	2,814
Trade receivables arising from credit guarantee service and investment income	3,218	1,111
Trade receivables arising from trading of party products	10,870	12,878
	<u>19,060</u>	<u>24,535</u>
Less: Allowance of doubtful debts	895	895
	<u>18,165</u>	<u>23,640</u>

The Group normally grants credit terms of up to 90 days to its customers, and may from time to time extend such credit periods for extra 30 to 60 days to certain customers. At the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts is as follows:

	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
0 to 30 days	9,544	7,451
31 to 60 days	2,871	5,741
61 to 90 days	1,505	1,836
Over 90 days	773	1,060
	<u>14,693</u>	<u>16,088</u>

Trade receivables from securities brokerage and assets management represent trade receivables from cash and custodian clients which are neither past due nor impaired represent unsettled client trades or securities exchanges transacted on the last two business days prior to the end of the reporting period. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these trade receivables.

During the six months ended June 30, 2017, trade receivables of the Group amount to HK\$895,000 were individually determined to be impaired (December 31, 2016: HK\$895,000).

The carrying amounts of trade receivables approximate their fair values.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2017 <i>HK\$'000</i> (Unaudited)	As at December 31, 2016 <i>HK\$'000</i> (Audited)
Trade deposits and other receivables (<i>Note a</i>)	152,251	149,030
Deposit paid for acquisition (<i>Note b</i>)	–	16,000
Prepayments	2,485	6,447
Rental, utility and sundry deposits	5,632	7,716
Staff advances	460	525
	<u>160,828</u>	<u>179,718</u>
Less: Non-current portion (<i>Note b</i>)	–	16,000
	<u><u>160,828</u></u>	<u><u>163,718</u></u>

Notes:

- (a) The amount includes other receivables of approximately HK\$41,013,000 for trading of metal and minerals business (December 31, 2016: trade deposits of approximately HK\$19,000,000 for credit guarantee service business) and entrusted loan of approximately HK\$99,087,000 (December 31, 2016: approximately HK\$96,142,000).
- (b) The amount represents the deposit paid for the acquisition of 24% issued share capital of a company which is principally engaged in the insurance brokerage business of life, casualty and health projects to individuals and business in the PRC. The acquisition completed on June 30, 2017.

18. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each:		
Authorised:		
As at December 31, 2016 and June 30, 2017	100,000,000	10,000,000
Issued and fully paid:		
As at December 31, 2016 (Audited)	9,368,072	936,807
Share repurchase made by the Company (<i>Note 1</i>)	(35,000)	(3,500)
As at June 30, 2017 (Unaudited)	<u>9,333,072</u>	<u>933,307</u>

Note:

- (1) The issued and fully paid share capital of the Company decreased from HK\$936,807,000 to HK\$933,307,000 due to the share repurchase by the Company. This was approved by shareholders at the annual general meeting on June 26, 2017.

19. CONVERTIBLE BONDS

On February 18, 2016, the Company issued two-year convertible bonds at 0% coupon rate of principal amount of HK\$100,000,000 to the subscriber. The annualized effective interest rate is 7%. Based on the initial conversion price of HK\$0.1 per conversion share, a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds in full.

If no bond holders exercise their conversion rights on maturity date, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.

	Liability portion <i>HK\$'000</i>
At December 31, 2016	92,639
Imputed interest amortised	<u>3,161</u>
At June 30, 2017	<u><u>95,800</u></u>

20. TRADE PAYABLES

	As at June 30, 2017 HK\$'000 (Unaudited)	As at December 31, 2016 HK\$'000 (Audited)
Trade payables arising from dealing in securities and margins:		
— Clients arising from dealing in securities and margins	1,196	2,864
— Clearing house	583	1,980
— Clients' monies	5,145	2,383
	<u>6,924</u>	<u>7,227</u>
Trade payables arising from trading of party products	<u>6,284</u>	<u>3,210</u>
	<u><u>13,208</u></u>	<u><u>10,437</u></u>

The ageing analysis of trade payables from trading of party products is as follows:

	As at June 30, 2017 HK\$'000 (Unaudited)	As at December 31, 2016 HK\$'000 (Audited)
0 to 30 days	5,443	1,925
31 to 60 days	–	603
61 to 90 days	313	379
Over 90 days	528	303
	<u><u>6,284</u></u>	<u><u>3,210</u></u>

No ageing analysis is disclosed for the segment of securities brokerage and assets management. In the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these trade payables.

The trade payables are non-interest bearing and particularly trade payables from trading of party products are normally settled on 90-day terms. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

21. DISPOSAL OF AN ASSOCIATE

During the six months period of 2016, the Group disposed of the below associate which is an unlisted corporate entity in which the quoted market price is not available.

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
Power Team International (HK) Limited	Hong Kong	46,250,000 ordinary shares	Group's effective interest held indirectly 40%	Investment holdings

Loss on disposal of an associate:

	Six months ended June 30, 2016 <i>HK\$'000</i> (Unaudited)
Carrying amount as at date of disposal	14,045
Sales proceeds	(6,020)
Sales related cost	27
	8,052

22. RELATED PARTY TRANSACTIONS

(a) Compensation of senior management of the Group

	Six months ended June 30,	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and other benefits	7,696	2,450
Contributions to retirement scheme	27	11
	7,723	2,461

23. CAPITAL COMMITMENTS

As at June 30, 2017, the Group had no capital commitments (December 31, 2016: HK\$40 million which was the payment for the acquisition of an associate).

24. EVENT AFTER REPORTING PERIOD

(a) Extension of validity period of framework agreement regarding to a proposed acquisition

On March 15, 2017, a wholly-owned subsidiary of the Company, B&R Security International Company Limited entered into the framework agreement (“Framework Agreement”) with the vendors, pursuant to which the subsidiary intended to purchase and the vendors intended to sell 20% of the total issued shares of the target company, which is incorporated in Hong Kong with limited liability and is principally engaged in provision of integrated security service solutions in Hong Kong, Macau and overseas countries. Details of the proposed acquisition could be referred to the announcement dated March 15, 2017.

The Framework Agreement shall become effective on the date of the Framework Agreement and shall terminate and be of no legal force and effect on (whichever is the earliest) (i) the date of the Formal agreement; (ii) the date on which B&R is to give a written notice to the Vendor and the Guarantor for the termination of the Framework Agreement; or (iii) the 90th working day from the date of the Framework Agreement (the “Validity Period”) or such later date as may be agreed by B&R, the Vendor and the Guarantor. As provided in the Framework Agreement, it shall be lapsed and ceased to take effect on July 27, 2017. On July 26, 2017 (after trading hours), the Company, the Vendor and the Guarantor have entered into a side letter to extend the Validity Period to October 31, 2017 (or such later date as may be agreed between the Company, the Vendor and the Guarantor), as further time is required by the Company and the Vendor to discuss and negotiate details of the Formal Agreement in relation to the Proposed Acquisition. Details please refer to the announcement dated July 26, 2017.

(b) Grant of share options and lapse of grant of share options

On July 27, 2017, the Company granted an aggregate of 930,000,000 share options (the “Share Option(s)”) under the share option scheme (the “Share Option Scheme”) adopted by the Company on June 26, 2017 to certain eligible persons (the “Grantee(s)”) to subscribe for a total of 930,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company (the “Share(s)”), subject to acceptance by the Grantees, the terms and conditions of the Share Option Scheme and the requirements of the Listing Rules.

Following the grant of the Share Options, three consultants, who have been granted an aggregate of 270,000,000 Share Options, tendered resignation as the Group’s consultants under their respective consultancy service agreements on July 31, 2017, with those 270,000,000 Share Options surrendered with immediate effect. Such resignation was accepted by the Company and the offer for the grant of the aforesaid 270,000,000 Share Options lapsed accordingly.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period presentation.

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board on August 31, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW, OUTLOOK AND PROSPECT

Business Review and Outlook

The Group's operating business including securities brokerage and asset management, money lending business, credit guarantee, investing and funding businesses, as well as trading of metals, minerals and other products. During the period, the operations of the Group were diverse.

The operating of the Group's securities brokerage and asset management businesses have commenced full operation with relatively high initial operation cost. The securities funding business is tapping into new market. In respect of investment and external cooperation fund, as we are now negotiating the concrete implementation plan with our joint partners, more time is needed for the formation of a permanent cooperation platform.

The Group is confident in the future about the financial markets and business development, particularly in those countries and regions within the scope of the "Belt and Road" policy, which are full of emerging opportunities. The Company will continue to implement a prudent strategy in managing its existing business operations, while looking for investment projects with potential and new business opportunities in countries and regions within the scope of the "Belt and Road" policy.

The subsidiaries of the Group are licensed under the SFO to carry on type 1 (Dealing in securities), type 4 (Advising on securities) and type 9 (Asset management) regulated activities under the SFO and the Group will put efforts to develop licensed business and continue to develop new markets in order to increase the value of business platform of the licensed business. Based on the businesses of the financial platform, the Group looks for business opportunities in the industries with growth potentials and cooperation. The Group will continue to capture opportunities and expand our international trading business, especially to put more efforts to the commodities logistics with the countries along the "Belt and Road" route. The Group will leverage on financial segment to drive its international trade in order to maximize the income from investments and operations, broaden the source of income and improve the Group's financial performance.

Financial Review

During the six months' period ended June 30, 2017, the Group's revenue was HK\$135.2 million representing an increase of 310.9% from HK\$32.9 million for the six months' period ended June 30, 2016. The increase in turnover was mainly due to the increase in turnover from money lending business and trading of metals and minerals.

Gross profit during the six months' period ended June 30, 2017 was HK\$10.8 million, representing an increase of 111.8% of the HK\$5.1 million for the six months' period ended June 30, 2016. In terms of gross profit margin, the current figure was 8.0%, representing a decrease of 7.6% from 15.6% for the six months' period ended June 30, 2016. The increase in gross profit was contributed by the increase of turnover in the business of money lending and trading of metals and minerals.

Operating expenses during the six months' period ended June 30, 2017 was HK\$56.3 million, representing an increase of 47.4% from HK\$38.2 million for the six months' period ended June 30, 2016, was mainly attributable to the (i) increase of directors' remuneration; (ii) increase of consultancy fee; and (iii) increase of utilities and general office administrative expenses comparing with last year.

Finance costs during the six months' period ended June 30, 2017 were HK\$3.2 million, representing an increase of around 45.5% from HK\$2.2 million for the six months' period ended June 30, 2016. Such finance cost was mainly due to the interest expenses on convertible bonds.

Liquidity and Financial Resources

As at June 30, 2017, net current assets were HK\$319.4 million (December 31, 2016: net current assets HK\$413.9 million). The Group's current ratio was 3.33 (December 31, 2016: 3.91 times), based on current assets of HK\$456.6 million and current liabilities of HK\$137.2 million. The Group had no bank borrowing as at June 30, 2017 (December 31, 2016: Nil) and the gearing ratio was zero (December 31, 2016: 0%). As at June 30, 2017, the Group had cash and bank balances of HK\$76.7 million (December 31, 2016: HK\$103.8 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.

As at June 30, 2017, the Group had prepayments, deposits and other receivables of HK\$160.8 million, which represented a decrease of HK\$2.9 million (1.8%) from HK\$163.7 million as at December 31, 2016. As at June 30, 2017, the Group had no capital commitments (December 31, 2016: HK\$40 million). The operating lease commitment for the Group as at June 30, 2017 was around HK\$30.4 million (December 31, 2016: HK\$35.2 million).

Change of Head Office and Principal Place of Business in Hong Kong

The head office and principal place of business of the Company in Hong Kong has been changed to Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with effect from January 6, 2017.

Material Acquisition and Disposals of Subsidiaries and Associates

During the six months' period ended June 30, 2017, the Group had completed an acquisition of 24% equity interest in an insurance brokerage company at a consideration of HK\$56.0 million. The acquired associate is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in the People's Republic of China (the "PRC").

Contingent Liabilities

As at June 30, 2017, the Group did not have any material contingent liabilities.

Capital Commitment

As at June 30, 2017, the Group had no capital commitment (December 31, 2016: HK\$40 million).

Human Resources

As at June 30, 2017, the Group had 90 employees (December 31, 2016: 97 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

Share Option Scheme

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme ("2017 Share Option Scheme") which effective on June 26, 2017 ("Commencement Date") and the termination of the share option scheme adopted by the Company on October 30, 2007 ("2007 Share Option Scheme") at the same time. Upon the termination of the 2007 Share Option Scheme, no further Options will be offered or granted but the provisions of the 2007 Share Option Scheme will remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2007 Share Option Scheme.

The purpose of the 2017 Share Option Scheme is to provide incentives or rewards to Participants of the 2017 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the 2017 Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2017 Share Option Scheme will remain in force for ten (10) years from the Commencement Date.

As at June 30, 2017, there were a total of 933,307,200 Shares, representing 10% of the issued Shares, available for issue under the 2017 Share Option Scheme.

EVENT AFTER REPORTING PERIOD

Subsequent to June 30, 2017, the Company had the following events:

1. Repurchased an aggregate of 5,900,000 Shares on the market on July 4, 2017 and cancelled on July 20, 2017.
2. On July 27, 2017, the Company granted an aggregate of 930,000,000 share options under the 2017 Share Option Scheme to certain eligible persons to subscribe for a total of 930,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company (the "Share(s)") at an exercise price of HK\$0.15 per Share.

Following the grant of the Share Options, three consultants, who have been granted an aggregate of 270,000,000 Share Options, tendered resignation as the Group's consultants under their respective consultancy service agreements on July 31, 2017, with those 270,000,000 Share Options surrendered with immediate effect. Such resignation was accepted by the Company and the offer for the grant of the aforesaid 270,000,000 Share Options lapsed accordingly.

3. The Group has successfully obtained Type 2 (Dealing in Futures Contracts) and Type 5 (Advising on Futures Contracts) and the licenses have been granted by SFC on July 31, 2017.

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company repurchased an aggregate of 35,000,000 Shares on the market during the six months ended June 30, 2017. Subsequent to June 30, 2017, the Company repurchased of 5,900,000 Shares on the market on July 4, 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended June 30, 2017, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as guidelines to reinforce our corporate governance principles, except for one deviation which is summarised below:

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Directors. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operations and business development.

MODEL CODE FOR SECURITIES TRANSACTIONS DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries to all directors, all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2017.

INTERIM DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2017 (June 30, 2016: Nil).

AUDIT COMMITTEE

The Audit Committee was established on October 30, 2007 and it assists the Board in discharging its responsibilities for corporate governance, financial reporting and internal control. As at June 30, 2017, the Audit Committee comprises, Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick, Mr. Wong Tin Yau, Kelvin and Mr. Ge Ming, all of whom are Independent Non-executive Directors. Mr. Anthony Espina is the Chairman of the Audit Committee.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2017 have not been audited, but have been reviewed by the Company's external auditor, Cheng & Cheng Limited.

By Order of the Board
Asia Investment Finance Group Limited
Wei Jiafu
Executive Director

Hong Kong, 31 August 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Cheung Kwan, Mr. Wei Jiafu and Mr. Wong Kwong Sum; one Non-executive Director, Ms. Wang Angel Yunxiao; and four Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wong Tin Yau, Kelvin, Mr. Ho Chun Chung, Patrick and Mr. Ge Ming.