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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Formerly known as Harmonic Strait Financial Holdings Limited 和協海峽金融集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2016

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, 2016, together with the comparative figures for the corresponding period in 2015. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s independent external auditor and the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended June 30,	
		2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	32,863	33,984
Cost of sales		(27,731)	(29,855)
Gross profit		5,132	4,129
Other revenue		690	753
Operating expenses		(38,199)	(10,462)
Operating loss		(32,377)	(5,580)
Finance costs		(2,196)	(26,694)
Other non-operating expenses		(12,058)	–
Share of loss of an associate		(1,027)	–
Loss before taxation	6	(47,658)	(32,274)
Taxation	7	–	–
Loss for the period		(47,658)	(32,274)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

		Six months ended June 30,	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss for the period		(47,658)	(32,274)
Other comprehensive (loss)/income:			
Other comprehensive (loss)/income maybe reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(3,276)	985
Fair value changes in available-for-sale financial assets		(1,473)	–
		<u>(4,749)</u>	<u>985</u>
Other comprehensive (loss)/income for the period, net of tax		(4,749)	985
Total comprehensive loss for the period		<u>(52,407)</u>	<u>(31,289)</u>
Loss for the period attributable to:			
Equity shareholders of the Company		(46,163)	(32,229)
Non-controlling interests		(1,495)	(45)
		<u>(47,658)</u>	<u>(32,274)</u>
Total comprehensive loss for the period attributable to:			
Equity shareholders of the Company		(50,657)	(31,350)
Non-controlling interests		(1,750)	61
		<u>(52,407)</u>	<u>(31,289)</u>
Dividend	8	<u>–</u>	<u>–</u>
Loss per share			
— Basic	9	<u>(0.56 cents)</u>	<u>(0.8 cents)</u>
— Diluted	9	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2016	As at December 31, 2015
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		31,650	4,391
Goodwill	11	27,863	18,863
Interest in an associate		–	15,072
		59,513	38,326
Current assets			
Inventories		9,288	30,931
Available-for-sale financial assets	12	33,145	–
Trade receivables	13	12,781	8,579
Prepayments, deposits and other receivables	14	277,719	164,707
Tax recoverable		455	498
Cash and cash equivalents		275,930	116,760
		609,318	321,475
Total assets		668,831	359,801
Equity			
Share capital	15	936,807	736,807
Reserves		(395,849)	(452,705)
Equity attributable to shareholders of the Company		540,958	284,102
Non-controlling interests		22,533	24,284
Total equity		563,491	308,386
Non-current liabilities			
Deferred taxation		35	34
Convertible bonds	16	89,533	–
		89,568	34
Current liabilities			
Trade payables	17	6,102	3,229
Accruals and other payables		9,670	46,637
Amount due to a director		–	1,515
		15,772	51,381
Total equity and liabilities		668,831	359,801
Net current assets		593,546	270,094
Total assets less current liabilities		653,059	308,420

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, 2016 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 the credit guarantee and investment business in the People’s Republic of China (“PRC”), trading and manufacturing of party products, and trading of metal and minerals business and assets management business.

The Company has changed its English name from “Harmonic Strait Financial Holdings Limited” to “Asia Investment Finance Group Limited” and Chinese name “亞投金融集團有限公司” to replace “和協海峽金融集團有限公司”.

The address of its principal place of business in Hong Kong is Unit 3501–3502, 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, 2015.

(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, 2015.

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, 2016 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, 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 metal 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 June 30, 2016

The segment assets and liabilities as at 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 metal and minerals <i>HK\$'000</i>	Assets management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited					
ASSETS					
Segment assets	121,171	22,654	30,790	319	174,934
Bank balances and cash					275,930
Unallocated corporate assets					217,967
					<hr/>
Consolidated total assets					668,831
					<hr/> <hr/>
LIABILITIES					
Segment liabilities	-	6,102	-	-	6,102
Unallocated corporate liabilities					99,238
					<hr/>
Consolidated total liabilities					105,340
					<hr/> <hr/>

For six months ended June 30, 2015

The segment results for the six months ended June 30, 2015 are as follows:

	Credit guarantee and investment business <i>HK\$'000</i>	Trading and manufacturing of party products <i>HK\$'000</i>	Trading of metal and minerals <i>HK\$'000</i>	Assets management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited Revenue					
External sales	2,408	31,576	-	-	33,984
	<u>2,408</u>	<u>31,576</u>	<u>-</u>	<u>-</u>	<u>33,984</u>
Result					
Segment results	(927)	(486)	(509)	-	(1,922)
	<u>(927)</u>	<u>(486)</u>	<u>(509)</u>	<u>-</u>	<u>(1,922)</u>
Interest income					481
Sundry income					272
Unallocated corporate expenses					(4,411)
Interest expenses					(26,694)
					<u>(26,694)</u>
Loss before taxation					(32,274)
Income tax expenses					-
					<u>-</u>
Loss for the period					<u>(32,274)</u>
Other segment information					
Capital expenditure of property, plant and equipment	735	-	-	-	735
Depreciation	61	130	-	-	191
	<u>61</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>191</u>

As at December 31, 2015

The segment assets and liabilities as at December 31, 2015 are as follows:

	Credit guarantee and investment business <i>HK\$'000</i>	Trading and manufacturing of party products <i>HK\$'000</i>	Trading of metal and minerals <i>HK\$'000</i>	Assets management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited					
ASSETS					
Segment assets	68,492	17,702	92,250	1,343	179,787
Bank balances and cash					116,760
Unallocated corporate assets					63,254
					<u>359,801</u>
Consolidated total assets					<u>359,801</u>
LIABILITIES					
Segment liabilities	-	3,229	-	-	3,229
Unallocated corporate liabilities					48,186
					<u>51,415</u>
Consolidated total liabilities					<u>51,415</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

Revenue represents credit guarantee business and investment business income, net amounts received and receivable for goods sold, less sales returns and discounts. The amount of each significant category of revenue recognized in turnover during the period is as follows:

	Six months ended June 30,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Credit guarantee and investment business income	2,026	2,408
Sales of goods in trading and manufacturing of party products	30,837	31,576
	<u>32,863</u>	<u>33,984</u>
Total	<u>32,863</u>	<u>33,984</u>

6. LOSS BEFORE TAXATION

	Six months ended June 30,	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Depreciation	1,534	191
Staff costs, including directors' emoluments	14,724	4,452
Interest income	(30)	(481)
Written off of other receivables	3,148	–
Loss on sale of available-for-sale financial assets	900	–
Loss on disposal of an associate	8,052	–
	<u>8,052</u>	<u>–</u>

7. TAXATION

No Hong Kong Profits Tax was provided as there was no estimated assessable profit for the period (June 30, 2015: Nil).

8. DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2016 (June 30, 2015: Nil).

9. 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\$46.2 million (June 30, 2015: approximately HK\$32.2 million) and the weighted average number of shares in issue during the period, which was 8,302,137,934 shares (June 30, 2015: 3,840,797,790 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2016, the Group incurred approximately HK\$29.0 million (for the six months ended June 30, 2015: approximately HK\$1.2 million) on acquisition of property, plant and equipment.

11. GOODWILL

	As at June 30, 2016 HK\$'000 (Unaudited)	As at December 31, 2015 HK\$'000 (Audited)
At the beginning of the period/year	18,863	1,993
Arising from acquisition of subsidiaries (Note 18)	9,000	18,863
Impairment loss for the period/year	–	(1,993)
	<u>27,863</u>	<u>18,863</u>

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at June 30, 2016 <i>HK\$'000</i> (Unaudited)	As at December 31, 2015 <i>HK\$'000</i> (Audited)
Available-for-sale financial assets:		
— Listed equity shares listed in Hong Kong	<u>33,145</u>	<u>—</u>

The available-for-sale financial assets are initially recognized at fair value. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately on the fair value reserve in equity. 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.

13. TRADE RECEIVABLES

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. As 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, 2016 <i>HK\$'000</i> (Unaudited)	As at December 31, 2015 <i>HK\$'000</i> (Audited)
0 to 30 days	8,031	5,915
31 to 60 days	3,570	1,818
61 to 90 days	1,030	764
Over 90 days	150	82
	<u>12,781</u>	<u>8,579</u>

During the six months ended June 30, 2016, no trade receivables of the Group were individually determined to be impaired (December 31, 2015: Nil).

The carrying amounts of trade receivables approximate their fair values.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2016 <i>HK\$'000</i> (Unaudited)	As at December 31, 2015 <i>HK\$'000</i> (Audited)
Trade deposits and other receivables (<i>Note a</i>)	203,539	138,326
Prepayments	25,475	22,316
Loan receivable (<i>Note b</i>)	38,836	–
Rental, utility and sundry deposits	6,417	3,794
Staff advances	3,452	271
	<u>277,719</u>	<u>164,707</u>

Notes:

- (a) The amount includes trade deposits approximately HK\$25,214,000 (December 31, 2015: approximately HK\$52,350,000) for purchase of metal and minerals, entrusted loan approximately HK\$97,321,000 (December 31, 2015: approximately HK\$78,602,000) and deposits approximately HK\$60,908,000 paid for acquisition of companies' interests (December 31, 2015: Nil).
- (b) The amount represents a short term loan to a third party company at an interest rate of 2% per annum.

15. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each:		
Authorised:		
As at December 31, 2015	10,000,000	1,000,000
Increase (<i>Note 1</i>)	<u>90,000,000</u>	<u>9,000,000</u>
As at June 30, 2016	<u><u>100,000,000</u></u>	<u><u>10,000,000</u></u>
Issued and fully paid:		
As at December 31, 2015	7,368,072	736,807
Issue of new shares through subscription (<i>Note 2</i>)	1,000,000	100,000
Issue of new shares through placing (<i>Note 3</i>)	<u>1,000,000</u>	<u>100,000</u>
As at June 30, 2016	<u><u>9,368,072</u></u>	<u><u>936,807</u></u>

- (1) The authorised share capital of the Company increased from HK\$1,000,000,000 to HK\$10,000,000,000 by the creation of an additional 90,000,000,000 shares. The increase in authorised share capital was approved by shareholders at the annual general meeting on June 27, 2016.
- (2) 1,000,000,000 ordinary shares of the Company were subscribed at the subscription price of HK\$0.1 per share on February 18, 2016 pursuant to an extraordinary resolution passed on January 25, 2016.
- (3) On April 29, 2016, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 placing shares at the placing price HK\$0.2 per placing share, a discount of approximately 15.61% to the closing price of HK\$0.2 per share as quoted on the Stock Exchange on May 25, 2016, 1,000,000,000 placing shares were placed to not less than six places at HK\$0.2 per placing share.

16. 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.

	Liability portion <i>HK\$'000</i>
Convertible bonds issued during the period	87,337
Imputed interest amortised	<u>2,196</u>
At June 30, 2016	<u><u>89,533</u></u>

17. TRADE PAYABLES

	As at June 30, 2016 <i>HK\$'000</i> (Unaudited)	As at December 31, 2015 <i>HK\$'000</i> (Audited)
0 to 30 days	5,510	1,671
31 to 60 days	–	1,157
61 to 90 days	454	113
Over 90 days	138	288
	<u>6,102</u>	<u>3,229</u>

The carrying amounts of trade payables approximate their fair values.

18. BUSINESS COMBINATION

During the period, the Group acquired 2 subsidiaries. The acquired subsidiaries are principally engaged in provision of fund management service and money lending respectively.

Net assets acquired in the transactions during the period/year, and the goodwill arising, are as follow:

	As at June 30, 2016 <i>HK\$'000</i> (Unaudited)	As at December 31, 2015 <i>HK\$'000</i> (Audited)
Net assets acquired:		
Trade receivables	16	–
Prepayments, deposits and other receivables	112	–
Cash and cash equivalents	722	596
Accruals and other payables	(27)	–
	<u>823</u>	<u>596</u>
Net assets	<u>823</u>	<u>596</u>
Consideration attributable to acquisition	9,823	10,000
Net assets acquired	(823)	(596)
Non-controlling interests	–	9,459
	<u>9,000</u>	<u>18,863</u>
Goodwill arising from acquisition (<i>Note 11</i>)	<u>9,000</u>	<u>18,863</u>
Consideration paid in cash	(9,823)	(10,000)
Cash and cash equivalents acquired	722	596
	<u>(9,101)</u>	<u>(9,404)</u>
Cash outflow on acquisition of subsidiaries	<u>(9,101)</u>	<u>(9,404)</u>

19. DISPOSAL OF AN ASSOCIATE

During the period, 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>
Carrying amount as at date of disposal	14,045
Sales proceeds	(6,020)
Sales related cost	27
	<u>8,052</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months' period ended June 30, 2016, the overall economy of China, Hong Kong as well as the countries the Group has business dealing with, had stabilized and remained with no prominent rebound. As a result, the Company continued to maintain a conservative strategy in managing its existing business operations.

In Hong Kong, the Group had just completed the acquisition of a licensed fund management company during the period. Owing to the time consuming process in satisfying all licensing requirements under the Securities and Futures Ordinance, the Group managed to complete the acquisition procedures and was still working on organising a crew to develop its management and operations. During the period, the Group, through its licensed money lender subsidiary had commenced lending business in the investment and finance market sectors in Hong Kong.

During the six months' period, the Company had completed a subscription of new shares and convertible bonds under a specific mandate and a placing of new shares under a general mandate, and had in aggregate, raised a total net proceeds of about HK\$395 million. During this six months' period, about HK\$60 million was paid as earnest money in a proposed acquisition. The licensed money lender subsidiary had also commenced business by lending out about HK\$39 million loan during the period under review. And approximately HK\$6 million was applied to settle the acquisition of the licensed fund management company in Hong Kong and a further deposit of HK\$5.2 million was paid to the vendors of the licensed stockbroker company in Hong Kong. In order to increase the yield of idle funds of the Group, the Group had commenced, as part of its treasury operations, short term trading of equity securities of large sized corporations listed on Hong Kong Stock Exchange.

FINANCIAL REVIEW

During the six months' period ended June 30, 2016, the Group's revenue was HK\$32.8 million representing a decrease of 3.5% from HK\$34.0 million for the six months' period ended June 30, 2015. The decrease in turnover was mainly due to reducing of the trading and manufacturing business of the party products.

Gross profit during the six months' period ended June 30, 2016 was HK\$5.1 million, representing an increase of 24.4% of the HK\$4.1 million for the six months' period ended June 30, 2015. In terms of gross profit margin, the current figure was 15.6%, representing an increase of 3.5% from 12.1% for the six months' period ended June 30, 2015. The increase in both of gross profit and gross profit ratio were contributed by the decrease of labour costs in the business of trading and manufacturing of party products.

Operating expenses during the six months' period ended June 30, 2016 was HK\$38.2 million, representing an increase of 263.8% from HK\$10.5 million for the six months' period ended June 30, 2015, was mainly attributable to the increase in human resources expenses, professional and consultancy fees and operating lease expenses to procure new investment and business opportunities for the Group. Moreover, other non-operating expenses recorded during the period of approximately HK\$12.1 million mainly included the disposal of a non-performing associated company.

Finance costs during the six months' period ended June 30, 2016 were HK\$2.2 million, representing a decrease of 91.8% from HK\$26.7 million for the six months' period ended June 30, 2015. Such decrease was mainly due to reducing of the interest expenses on loan advances.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2016, net current assets were HK\$593.5 million (December 31, 2015: net current assets HK\$270.1 million). The Group's current ratio was 38.6 (December 31, 2015: 6.26), based on current assets of HK\$609.3 million and current liabilities of HK\$15.8 million. The Group has no bank borrowing as at June 30, 2016 (December 31, 2015: Nil) and the gearing ratio was zero (December 31, 2015: 0%). As at June 30, 2016, the Group had cash and bank balances of HK\$275.9 million (December 31, 2015: HK\$116.8 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, 2016, the Group had prepayments, deposits and other receivables of HK\$277.7 million, which represented an increase of HK\$113.0 million (68.6%) from HK\$164.7 million at December 31, 2015. As at June 30, 2016, the Group had HK\$17.7 million capital commitments (December 31, 2015: HK\$6.1 million). The operating lease commitment for the Group as at June 30, 2016 was around HK\$18.8 million (December 31, 2015: HK\$35.0 million).

CAPITAL STRUCTURE

Completion of Subscription of New Shares and Convertible Bonds under Specific Mandate

On February 18, 2016, the Company has allotted and issued (i) 1,000,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share and (ii) the Convertible Bonds in the principal amount of HK\$100,000,000 to the Subscriber, Internet Finance Investment Company Limited, is wholly owned by Ms. Cheung who is a substantial shareholder of the Company under a specific mandate and the Subscription Agreement.

According to the terms and conditions of the bonds, the bonds bear a nil interest rate and will mature in second anniversary of the date of issue of the bonds. The bondholder has the right to convert the whole or part of the principal amount of the bonds into Conversion Shares at any time and from time to time, between the date of issue of the bonds and up to the maturity date.

Details of the above transactions had been disclosed in the circular and announcements issued by the Company dated January 8, 2016 and February 18, 2016 respectively.

Completion of Placing Shares

On May 26, 2016, the Company has completed a placing of new shares and issued 1,000,000,000 new shares at HK\$0.20 per Placing Share pursuant to the terms and conditions of the Placing Agreement and supplemental agreement. The net proceeds from the Placing is approximately HK\$194.6 million. The net proceeds will be applied to any other investment opportunities in the field of finance that may arise in the future and the relevant working capital need for business development.

Details of the above transaction had been disclosed in the announcements issued by the Company dated April 29, 2016, May 16, 2016 and May 26, 2016.

Increase in Authorised Share Capital

On June 27, 2016, the Company's authorised share capital has been increased from HK\$1,000,000,000 (divided into 10,000,000,000 Shares) to HK\$10,000,000,000 (divided into 100,000,000,000 Shares) by the creation of an additional 90,000,000,000 Shares and such increase has been approved by the Shareholders at the annual general meeting of the Company.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On June 1, 2016, the head office and principal place of business of the Company in Hong Kong has been changed to Unit 3501–3502, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

CHANGE OF COMPANY NAME

On June 16, 2016, the Company has changed its English name from “Harmonic Strait Financial Holdings Limited” to “Asia Investment Finance Group Limited” and the Chinese name “亞投金融集團有限公司” to replace “和協海峽金融集團有限公司”. The change of Company name was approved and resolved by a special resolution at the extraordinary general meeting held on June 13, 2016.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the period under review, the Group also completed the acquisition of a licensed corporation carrying out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“SFO”) at a consideration of approximately HK\$9.3 million.

During this six months' period ended June 30, 2016, the Group, after arm's length negotiation with the major shareholder of an associated company, decided to disposed of the non-performing 40% equity interest in the associated company, in exchange for the acquisition of the fixed asset held by the associated company. The Group suffered a total loss of approximately HK\$8.0 million as a result of this disposal.

CONTINGENT LIABILITIES

As at June 30, 2016, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at June 30, 2016, the Group had approximately HK\$17.7 million capital commitments (December 31, 2015: HK\$6.1 million) which is the final payment for the acquisition of 100% equity interests of a type 1 (Dealing in Securities) licensed corporation regulated by SFO.

HUMAN RESOURCES

As at June 30, 2016, the Group had 63 employees (December 31, 2015: 59 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

The Company adopted a share option scheme (the "Scheme") on October 30, 2007 to provide incentives and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Scheme is to advance the interests of the Company and its Shareholders by enabling (i) the Company to grant options to attract, retain and reward the eligible persons and to provide them with an incentive or reward for their contribution to the Group and (ii) such persons' contribution to further advance the interests of the Group. The Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Scheme.

On February 5, 2016, 737,640,000 share options had been granted to eligible participants to subscribe for 737,640,000 ordinary shares of HK\$0.1 each of the Company at an exercise price of HK\$0.15. And on April 26, 2016, as approved by the Board and consented by each of the relevant grantees, having accepted the offer of grant of the share options, the Company and the grantees agreed that such grant of the share options shall be cancelled with effect from April 26, 2016. Further, the Company had, upon approval by the Board, cancelled grant of the rest of the share options which have not yet been accepted by other grantees with effect from April 26, 2016. Accordingly, the grant of the share options has been cancelled in its entirety.

As at June 30, 2016, there were a total of 936,807,200 Shares, representing 10% of the issued Shares, available for issue under the Scheme.

OUTLOOK

The Group is an integrated financial platform which provides one-stop services including securities, funds and assets management, credit guarantees, investments and trading. The Group is having licensed subsidiaries carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities respectively under the Securities and Futures Ordinance.

Based on the businesses of the existing financial platform, the Group will continue to further develop its online financial services and allocate more resources to the related projects. The rapid application of e-commerce platforms presents enormous business opportunities for the Group to provide technical supports and services to commercial banks in building and upgrading their intelligent infrastructure.

Despite the uncertainties in the global economy, the management is still confident in the future of the global financial markets, particularly when those countries within the scope of the “one belt, one road” policy need to continuously develop trading, banking and financial payment platforms to meet the increasing trading demands in the region. The establishment of a trading settlement network for merchants and banks worldwide will thus provide highly-efficient payment services with cost-effectiveness.

EVENT AFTER REPORTING PERIOD

On January 15, 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with independent third parties, for the acquisition of 100% equity interests in Treasure Securities Limited (“Treasure Securities”) at an initial consideration of HK\$27.2 million, which is subject to adjustment and will be settled in cash. Treasure Securities is a licensed corporation carrying out Type 1 (Dealing in Securities) regulated activity under the SFO and is an Exchange Participant and Trading Right Holder of the Stock Exchange. It is principally engaged in the business of securities brokerage. The directors are of the view that the acquisition provides a prime opportunity for the Group to expand its financial platform to the financial advisory industry in Hong Kong.

It is considered that the synergy effect with existing financial services operations of the Group will benefit the Company and its shareholders as a whole. On August 12, 2016, this acquisition was completed with an adjusted consideration of approximately HK\$24.2 million.

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended June 30, 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended June 30, 2016, 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 operation and business development.

MODEL CODE FOR SECURITIES TRANSACTIONS BY 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, 2016.

INTERIM DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2016 (June 30, 2015: 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, 2016, the Audit Committee comprises of Mr. Anthony Espina (Chairman of Audit Committee and Independent Non-executive Director), Mr. Cheung Wah Keung (Independent Non-executive Director), Mr. Ho Chun Chung, Patrick (Independent non-executive Director), Mr. Zhang Huadi (Independent non-executive Director) and Dr. Wang Edward Xu (Non-executive Director).

An Audit Committee meeting was held on August 30, 2016 to review the unaudited interim financial report for the six months ended June 30, 2016. Cheng & Cheng Limited, the Group’s external auditor, has carried out a review of the unaudited interim financial report for the six months ended June 30, 2016 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended June 30, 2016 have not been audited, but have been reviewed by the Company's external auditor, Cheng & Cheng Limited and the Audit Committee of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board
Asia Investment Finance Group Limited
Wong Kwong Sum
Executive Director

Hong Kong, August 30, 2016

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Wong Kwong Sum, Mr. Xie Li and Mr. Zhao Tieliu; one non-executive director, Dr. Wang Edward Xu; and four independent non-executive directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina, Mr. Zhang Huadi and Mr. Ho Chun Chung, Patrick.