



新融宇 集團(控股)有限公司
Infinity Financial Group (Holdings) Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 1152



Interim Report
2017



CONTENTS

Corporate Information	02
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	04
Condensed Consolidated Statement of Financial Position	05
Condensed Consolidated Statement of Changes in Equity	06
Condensed Consolidated Statement of Cash Flows	07
Notes to the Condensed Consolidated Interim Financial Statements	08
Management Discussion and Analysis	22
Other Disclosures	26

Corporate Information

Board of Directors

Executive directors

Mr. Yu Xueming (*Chairman*)
Mr. Yu Chuanfu (*Chief Executive Officer*)
Mr. Sit Yau Chiu (retired on 6 June 2017)
Mr. Zheng Qiang
Mr. Ng Hoi

Non-executive director

Mr. Chan Yee, Herman (resigned on 15 June 2017)

Independent non-executive directors

Mr. Wang Wei Hung, Andrew (resigned on 15 June 2017)
Mr. Sin Ka Man (retired on 6 June 2017)
Mr. Zhao Lixin (retired on 6 June 2017)
Mr. Ho Man
Mr. Yeh Tung Ming

Registered Office

Clarendon House
2 Church Street
Hamilton
HM11
Bermuda

Headquarter and Principal Place of Business in Hong Kong

Room 2407, 24th Floor
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

Company Secretary

Mr. Chan King Keung

Authorised Representatives

Mr. Zheng Qiang
Mr. Chan King Keung

Legal Advisers

As to Hong Kong law
Jun He Law Offices
Suite 3701-10, 37/F, Jardine House
1 Connaught Place, Central
Hong Kong

Bermuda Resident Representative

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Members of the Audit Committee

Mr. Ho Man (*Chairman*)
Mr. Yeh Tung Ming

Members of the Remuneration Committee

Mr. Yeh Tung Ming (*Chairman*)
Mr. Ho Man
Mr. Yu Chuanfu

Members of the Nomination Committee

Mr. Ho Man
Mr. Yeh Tung Ming

Corporate Information (Continued)

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

China Citic Bank International Limited
80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Dah Sing Bank Limited
33/F Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Auditor

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Company's Website

www.1152.com.hk

Stock Code

1152

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

The board (the "Board") of directors (the "Directors") of Infinity Financial Group (Holdings) Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 together with the comparative figures as follows:

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing Operations			
Revenue	4	52,243	57,593
Cost of sales		(48,327)	(51,299)
Gross profit		3,916	6,294
Other operating income (expense)	4	20,741	(1,097)
Selling and distribution expenses		(503)	(852)
Administrative and other expenses		(15,698)	(15,220)
Finance costs	6	(10,428)	(7,719)
Loss before taxation		(1,972)	(18,594)
Income tax expense	7	(1,397)	(371)
Loss for the period from continuing operations	8	(3,369)	(18,965)
Discontinued operations			
Loss after tax for the period from discontinued operations	9	—	(707)
Loss for the period		(3,369)	(19,672)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		5,112	(5,703)
Fair value gain on available-for-sale investment		—	219
Total comprehensive income (expense) for the period		1,743	(25,156)
Loss per share for continuing and discontinued operations (HK cents)			
Basic and diluted	11	(0.34)	(2.0)
Loss per share for continuing operations (HK cents)			
Basic and diluted	11	(0.34)	(2.0)

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	12,880	14,271
Interest in a joint venture	14	—	—
Finance lease receivables	15	—	34,608
		12,880	48,879
Current assets			
Other receivables	16	52,112	43,528
Finance lease receivables	15	63,342	27,597
Held-for-trading investment	17	1,915	4,104
Bank balances and cash	18	124,225	153,806
		241,594	229,035
Current liabilities			
Other payables	19	5,535	31,039
Other borrowings	20	130,000	80,000
Loan from a director	21	10,000	—
Convertible bonds	22	—	58,812
Income tax payables		1,411	1,925
		146,946	171,776
Net current assets		94,648	57,259
Total assets less current liabilities		107,528	106,138
Non-current liabilities			
Corporate bonds	23	8,003	8,356
		99,525	97,782
Capital and reserves			
Share capital	24	4,910	4,910
Reserves		94,615	92,872
		99,525	97,782

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds equity reserve HK\$'000	Revaluation reserve HK\$'000	Other reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained earnings/ (Accumulated loss) HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	4,910	190,049	4,244	330	9,943	(6,332)	(54,899)	148,245
Loss for the period	—	—	—	—	—	—	(19,672)	(19,672)
Other comprehensive expense for the period	—	—	—	219	—	(5,703)	—	(5,484)
Total comprehensive expense for the period	—	—	—	219	—	(5,703)	(19,672)	(25,156)
At 30 June 2016 (unaudited)	4,910	190,049	4,244	549	9,943	(12,035)	(74,571)	123,089
At 1 January 2017 (audited)	4,910	190,049	4,244	—	9,943	(13,521)	(97,843)	97,782
Loss for the period	—	—	—	—	—	—	(3,369)	(3,369)
Other comprehensive income for the period	—	—	—	—	—	5,112	—	5,112
Total comprehensive income for the period	—	—	—	—	—	5,112	(3,369)	1,743
At 30 June 2017 (unaudited)	4,910	190,049	4,244	—	9,943	(8,409)	(101,212)	99,525

Note: Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group organisation over the consideration paid for acquiring these subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(69,970)	(36,521)
Net cash generated from investing activities	48,191	5,900
Net cash used in financing activities	(9,593)	(36,715)
Net decrease in cash and cash equivalents	(31,372)	(67,336)
Cash and cash equivalents at 1 January	153,806	219,553
Effect on foreign exchange rates changes	1,791	(4,982)
Cash and cash equivalents at 30 June, represented by bank balances and cash	124,225	147,235

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the interim report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in finance leasing and trading business.

On 12 January 2015, the Board has decided to cease the operations of the Group's textile segment. Since then, the Group is principally engaged in finance leasing and trading business. Details of the discontinued operations are set out in note 9. The accompanying condensed consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued business separately.

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated interim financial statements are presented in Hong Kong dollars as the directors of the Company consider that HK\$ is appropriate presentation currency for the users of the Group's condensed consolidated financial statements.

2. Basis of Preparation

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

3. Principal Accounting Policies

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle: Amendments to HKFRS12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim period and/or on the disclosures set out in these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

4. Revenue and Other Operating Income (Expense)

Revenue represents the finance lease income, handling income, trading of metal and equipment recognised during the accounting period.

Analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue		
Trading of metal and equipment	48,769	51,709
Finance leasing	3,474	5,884
	52,243	57,593
Other operating income (expense)		
Unrealised loss on held-for-trading investment	(2,189)	(1,347)
Gain on disposal of held-for-trading investment	2	—
Gain on disposal of a subsidiary	19,574	—
Bank interest income	494	250
Exchange gain, net	2,859	—
Value added tax refund	1	—
	20,741	(1,097)

5. Segment Information

Information reported to the chief executive officer of the Company, being the chief operation decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In last period, no segment analysis of financial information was presented as the Group's revenue, expenses, assets and liabilities are primarily attributable to the financial services business.

During the period, the Group revised its segment reporting for the purpose of more effective business analysis due to the trading business is separated from finance leasing business. The business activities of previously reported finance leasing segment is now separated into two segments, namely trading business and finance leasing. The business activity of finance leasing remains unchanged. Prior-period figures have been re-presented to conform with current period presentation.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Finance leasing engages in finance leasing business (earning interest income and handling fee), leasing business and purchasing of leased assets.
- (ii) Trading business engages in trading of metals.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

5. Segment Information (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the six months ended 30 June 2017

	Trading business HK\$'000	Finance leasing HK\$'000	Total HK\$'000
Revenue	48,769	3,474	52,243
Segment profit	442	1,716	2,158
Unallocated operating income			19,836
Change in fair value of held-for-trading investments			(2,189)
Selling and distribution expenses			(321)
Administrative and other expenses			(11,028)
Finance cost			(10,428)
Loss before taxation			(1,972)

For the six months ended 30 June 2016

Continuing operations

	Trading business HK\$'000	Finance leasing HK\$'000	Total HK\$'000
Revenue	51,709	5,884	57,593
Segment profit (loss)	502	(1,883)	(1,381)
Unallocated operating income			253
Change in fair value of held-for-trading investments			(1,347)
Selling and distribution expenses			—
Administrative and other expenses			(8,400)
Finance cost			(7,719)
Loss before taxation (continuing operation)			(18,594)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or the loss from each segment without allocation of change in fair value of held-for-trading investment, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other income and gains and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

5. Segment Information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Segment assets		
Trading business	—	33,492
Finance leasing	57,516	82,709
Total segment assets	57,516	116,201
Unallocated corporate assets	196,958	161,713
Consolidated assets	254,474	277,914
Segment liabilities		
Trading business	—	—
Finance leasing	1,760	2,062
Total segment liabilities	1,760	2,062
Unallocated corporate liabilities	153,189	178,070
Consolidated liabilities	154,949	180,132

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than cash and bank balances and other assets for corporate use including plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than other payables, loan from a director, income tax payables and other borrowings which were managed in a centralised manner.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

5. Segment Information (Continued)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

All of the Group's revenue from external customers is derived from the PRC during the period ended 30 June 2017 and 2016.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

	Non-current assets (Note)	
	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
The PRC	11,782	13,086
Hong Kong	1,098	1,185
	12,880	14,271

Note: Non-current assets excluded financial lease receivables.

6. Finance Costs

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest expenses on:		
– other borrowings	5,991	5,874
– convertible bonds	4,090	1,496
– corporate bonds	347	349
	10,428	7,719

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

7. Income Tax Expense

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax		
— PRC Enterprise Income Tax ("EIT")	1,397	371
Deferred taxation	—	—
	1,397	371

- (i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profits arising in Hong Kong for the period ended 30 June 2017 (2016: 16.5%). No provision for Hong Kong profits tax has been made for the period ended 30 June 2017 and 2016 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the periods.
- (ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. Loss for the Period

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations		
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,938	1,795
Net exchange loss	—	3
Minimum lease payments in respect of operating lease for office premises	2,882	3,361

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

9. Discontinued Operation

On 12 January 2015, the Group announced that the Board has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation.

No profit or loss from the discontinued operation have been recorded for the six months ended 30 June 2017. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to represent the textile segment as a discontinued operation.

	Six months ended 30 June 2016 HK\$'000 (unaudited)
Revenue	—
Cost of sales	—
Gross profit	—
Other operating income	464
Selling and distribution expenses	—
Administrative and other expenses	(1,162)
Finance costs	(9)
Loss before taxation	(707)
Income tax expense	—
Loss for the period	(707)

10. Dividends

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

11. Loss Per Share

The calculation of the basic and diluted loss per share attributable to the shareholders of the Company (the "Shareholders") is based on the following data:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	(3,369)	(19,672)
	2017 '000	2016 '000
Number of share		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	982,000	982,000

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result a decrease in a loss per share for the year ended 31 December 2016.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the shareholders is based on the following data:

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss		
Loss for the purposes of basic and diluted earnings per share	(3,369)	(19,672)
Less:		
Loss for the period from discontinued operations	—	(707)
Loss for the purposes of basic and diluted loss per share from continuing operations	(3,369)	(18,965)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic and diluted loss per share for the discontinued operation was nil (2016: 0.07 cents per share), based on the loss for the period from discontinued operation of nil (2016: approximately HK\$707,000), and the denominators detailed about for both basic and diluted loss per share.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

12. Movements in Property, Plant and Equipment

For the six months ended 30 June 2017, the Group incurred approximately HK\$163,000 (six months ended 30 June 2016: HK\$4,000) on the acquisition of property, plant and equipment. Net carrying value of property, plant and equipment being disposed for the period was nil (six months ended 30 June 2016: nil).

13. Subsidiaries

During the period ended 30 June 2017, the Group entered into a disposal agreement with an independent third party, to dispose of its entire equity interest in 東莞豐正針織有限公司 at a consideration of HK\$47,859,000.

Gain on disposal of approximately of HK\$19,574,000 had been recognised in the condensed consolidated financial statement of profit or loss for the reporting period.

14. Interest in a Joint Venture

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Costs of investments in joint ventures		
Unlisted	—	—
Share of post-acquisition losses and other comprehensive income	—	—
	—	—

As at 30 June 2017, the Group had interest in the following material joint venture:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interests or participating shares held by the Group		Proportion of voting power held		Principal activity
					30.6.2017	31.12.2016	30.6.2017	31.12.2016	
Hebao (Shenzhen) Information Technology Company Limited (荷包(深圳)信息科技有限公司)	Incorporated	The PRC	The PRC	Ordinary	49%	49%	49%	49%	Financial investment and asset management.

The financial information and carrying amount, in aggregate, of the Group's interests in a joint venture that are not individually material and are accounted for using the equity method are set out below:

	30.6.2017 HK\$'000	31.12.2016 HK\$'000
The Group's share of result	—	—
The Group's share of total comprehensive income	—	—
Carrying amount of the Group's interests in a joint venture	—	—

As at 30 June 2017 and up to date of this report, no capital was injected to the joint venture by the Group.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

15. Finance Lease Receivables

Finance lease receivable represents relevant finance lease agreements entered into by the Group's subsidiary Shanxi Sino Top Leasing Company Limited with its lessees. Effective interest rates of the finance lease ranged from 13% to 16%. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

For the period ended 30 June 2017, the relevant lease contracts entered into of approximately HK\$63,342,000 (2016: HK\$36,153,000) was aged within 1 year (2016: 2 years) at the end of the reporting period.

As at 30 June 2017, the total finance lease receivables of approximately HK\$63,342,000 (31 December 2016: approximately HK\$62,205,000) comprise of current receivables of approximately HK\$63,342,000 (31 December 2016: approximately HK\$27,597,000) and non-current receivables of nil (31 December 2016: approximately HK\$34,608,000).

Finance lease receivables are secured over the vessel, machinery, fixed assets, equities of private entities or a mining right in the PRC.

The ownership of leased assets will be transferred to the lessees at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

16. Other Receivables

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Other receivables	51,726	9,241
Prepayment	386	34,287
	52,112	43,528

17. Held-For-Trading Investment

Held-for-trading investment comprises:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Equity securities listed in Hong Kong	1,915	4,104

18. Bank Balances and Cash

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the period ended 30 June 2017 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (2016: 0.001% to 0.4% per annum).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

19. Other Payables

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Receipt in advance	1,129	1,685
Interest payable	3,006	7,216
Value added tax payables	983	11,585
Other payables	417	10,553
	5,535	31,039

20. Other Borrowings

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Unsecured:		
Other loan (Note i)	130,000	80,000
Other borrowings repayable*:		
Within one year	130,000	80,000
Less: Amounts due within one year shown under current liabilities	(130,000)	(80,000)
Amount shown under non-current liabilities	—	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(i) At 31 December 2014, other loan of approximately HK\$43,000,000 was raised from a convertible bondholder for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The convertible bondholder became a shareholder of the Company upon a partial conversion of convertible bonds by the convertible bondholder during the year ended 31 December 2015. Supplemental loan agreements were signed and the settlement date had been extended to September 2017.

At 31 December 2015, other loan of approximately HK\$37,000,000 was raised from a subsidiary of a shareholder of the Company for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The amounts due are based on the scheduled repayment dates set out in the loan agreements. Supplemental loan agreements were signed and the settlement date had been extended to September 2017.

At 30 June 2017, other loan of approximately HK\$50,000,000 was raised from an independent third party which carried an interest rate of 10% per annum. The loan will be repaid with in accordance with agreed term and fully settled in April 2018. The amounts due are based on the scheduled repayment dates set out in the loan agreement.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

21. Loan from a Director

At 30 June 2017, a loan of HK\$10,000,000 was raised from a director of the Company with interest free. The loan will be repaid in accordance with agreed terms and fully settled in May 2018.

22. Convertible Bonds

The movements of convertible bonds during the periods are:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Convertible bonds — liability component:		
Analysed for reporting purpose as:		
Non-current liabilities	—	—
Current liabilities (included in other payables)	—	58,812
	—	58,812

23. Corporate Bonds

As at 30 June 2017, the issued unlisted Corporate Bonds remains at the balance of HK\$10,000,000 (2016: HK\$10,000,000), bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month from the date of their issues.

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Analysed for reporting purpose as:		
Non-current portion	8,003	8,356
Current portion (included in other payables)	157	700
	8,160	9,056

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

24. Share Capital

	Number of shares '000	Share capital HK\$'000
Authorised		
Ordinary shares of HK\$0.005 each as at 31 December 2016 and 30 June 2017	20,000,000	100,000
Issued and fully paid		
Ordinary shares of HK\$0.005 each as at 31 December 2016 and 30 June 2017	982,000	4,910

There were no changes in the issued capital of the Company since 31 December 2016 to the period up to 30 June 2017.

25. Operating Lease Commitment

The Group leases certain premises and offices under operating lease arrangements.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Within one year	2,016	2,279
In the second to fifth years, inclusive	1,885	2,578
	3,901	4,857

26. Capital Commitment

The Group does not have any capital commitment at the end of 30 June 2017:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a joint venture	11,288	10,941

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2017

27. Related Party Transactions

Compensation of key management personnel

The Group entered into the following significant transactions with related parties during the period:

The remuneration of key management personnel during the two periods ended 30 June 2017 and 2016 were as follows:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	2,612	1,926
Post-employment benefits	57	42
	2,669	1,968

The remuneration of the directors and key management personnel is determined by the Board having regards to the performance of individuals and market trends.

For the period ended 30 June 2017, there were no other related parties transaction, that had to be disclosed as defined in Chapter 14A of the Listing Rules.

28. Share Option Scheme

Pursuant to the written resolution of the shareholders on 11 October 2011, the Company has adopted a share option scheme for the purpose of motivating eligible participants to optimize their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the interim period.

Management Discussion and Analysis

Financial Performance and Business Review

For the six months ended 30 June 2017, the principal businesses of the Group recorded a revenue of approximately HK\$52,243,000, showing a decrease of 9.3% in revenue of approximately HK\$57,593,000 from corresponding period in last year. This is due to: for the six months ended 30 June 2017, the trading business segment record a revenue of approximately HK\$48,769,000, showing a decrease of 5.7% in revenue of approximately HK\$51,709,000 from corresponding period in last year and; for the six months ended 30 June 2017, the finance leasing segment record a revenue of approximately HK\$3,474,000, showing a decrease of 41.0% in revenue of approximately HK\$5,884,000 from corresponding period in last year.

For the six months ended 30 June 2017, the trading business segment record a segment profit of approximately HK\$442,000, showing an decrease of 12.0% in segment profit of approximately HK\$502,000 from corresponding period in last year. The decrease in the trading business segment profit was mainly due to the decrease in revenue on the trading business segment for the six months ended 30 June 2017 from corresponding period in last year.

The decrease in revenue in trading business segment was mainly attributable to the weakening in market demand for the six months ended 30 June 2017 when compared with corresponding period in last year. The revenue in trading business segment for the six months ended 30 June 2017 arising from customers who are large private enterprises established in People's Republic of China. In respect of those trading transactions, the Group managed its risk exposure by securing a purchase order from the customer before the Group places a purchase order with the supplier; and with credit terms receiving the sale proceed from customer before settlement to the supplier. As at 30 June 2017, those customers have fully settled all their sale proceed without any outstanding receivable due to the Group. The weakening in market demand may as a result of the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services. Despite the decrease in revenue for the six months ended 30 June 2017, the operation of trading business segment is running smoothly and efficiently for the Group. In view of current booming of capital market and the expected recovery of world economy; the Board is confident that the trading business segment will pick up accordingly.

The decrease in revenue in finance leasing segment was mainly due to the effect of the monetary policy in China which remained loose for the six months ended 30 June 2017. This enable our potential customers to have many other alternatives to satisfy their financial demands. On the other hand, our Group adopts a more cautious and conservative approach so as to strengthening our Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole, by placing more stringent requirement on our finance leasing customers.

For the six months ended 30 June 2017, the finance leasing segment recorded a segment profit of approximately HK\$1,716,000, in contrast with segment loss of approximately HK\$1,883,000 from corresponding period in last year. The segment profit for the six months ended 30 June 2017 in the finance leasing was mainly due to the continuous effort of the Group in reducing the overall operating cost of finance leasing segment. The Board is confident that with the concrete plan of the Government of China to maintain the growth of China's GDP, the finance leasing segment will pick up continuously.

On 12 January 2015, the Group has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation. Dongguan Feng Zheng Knitting Co., Ltd (東莞豐正針織有限公司) is a limited liability company; and an indirect wholly-owned subsidiary of the Company established under the laws of the PRC and has no business operations as a result of cessation of operation of the Group's textile segment.

On 16 March 2017, the Group entered into a Disposal Agreement with the Purchaser, Dongguan DRN Battery Co., Ltd (東莞市德爾能新能源股份有限公司). Pursuant to the Disposal Agreement, the Group has agreed to sell and the Purchaser has agreed to purchase the Equity Interest, representing 100% of the equity interest in Dongguan Feng Zheng Knitting Co., Ltd, at the Consideration of approximately RMB43.0 million (equivalent to approximately HK\$47.9 million).

For the six months ended 30 June 2017, the Group recorded other operating income approximately HK\$20,741,000 (six months ended 30 June 2016: expense approximately HK\$1,097,000). The other operating income resulted from a gain on disposal of Dongguan Feng Zheng Knitting Co., Ltd of approximately HK\$19,574,000. The gain on disposal of Dongguan Feng Zheng Knitting Co., Ltd mainly as a result of the Consideration of approximately RMB43.0 million (equivalent to approximately HK\$47.9 million) of the Disposal Agreement is greater than the unaudited net asset value of Dongguan Feng Zheng Knitting Co., Ltd as at the date of disposal.

Management Discussion and Analysis (Continued)

Outlook

Global Economy

Mr. Donald Trump elected the 45th president of United States of America. There may invoke a lot of fundamental uncertainty in near-term outlook, especially in the area of expectation to economic growth and also Federal Reserve policy. A faster pace of interest rate normalization was expected by the market. All of this has to do with increased optimism that there will be some fiscal stimulus in the near term and some type of deregulation, both of which will underpin growth. Looking forward, as a result of global markets faced a wave of volatility, sparked by the Brexit and North Korea nuclear threat, the market expect the investment environment in the US and other advance economies will not be as stable as before. The US monetary and fiscal policies may have a dramatic change. Accelerating interest rate normalization may affect global investment atmosphere. In connection with the US foreign policy, Mr. Donald Trump may focus on the threat posted to the US by its trade relations with China. US may impose tariffs on various China products.

China Economy

Changes in economy in China is expected in response to a number of factors, including but not limited to the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, the monetary policy in China, although remain loose for the six months ended 30 June 2017. The faster-than-expected slowdown in the PRC imports and exports, in part reflecting weaker investment and manufacturing activities, together with the general concern on over blooming of property market in China, arouse the market concerns about the future performance of the Chinese economy.

Financial Services Industry

China's financial services industry had experienced relative rapid growth in past years. Looking forward to the near future, the market expects that the growth of financial services industry will not slow down as the Chinese government have concrete plan to maintain the growth of China's GDP.

Trading Business

China's GDP had experienced relative rapid growth in past years and is mainly stimulated by various infrastructure and property development projects in numerous cities in China. Looking forward to the near future, the market expects that the consumption of various commodities will not slow down, because it is believed that tackle economic downturn, the Chinese government will be using the construction of various infrastructure to enhance the economic growth.

China is one of the largest and most innovative retail e-commerce market in the world. According to a research performed by a renowned investment banker, China's online retailing is expected to grow from 16% of total retail sales in 2017 to 25% by 2020. China's online retail market will be US\$1.7 trillion by 2020, more than twice the size it is today.

Company Tactics

Although it is anticipated that the global and the China economies are facing challenges and uncertainties in 2017, however, in light of the various supporting strategies of the Government of China with the China economy and also the positive stimulating effect by one belt one road (一帶一路) scheme of China, the management of the Group is confident that the financial services industry and trading business sector will continue to be prosperous with reasonable growth yearly.

To cope with those future challenges and uncertainties in 2017, the Group will continue to provide professional financial services to our esteem customers, to assist them to innovate their system, to strengthen their production capacity and enhance their corporate development, to develop innovative financial services in different industries; whereas the Group will play a more cautious and conservative role on strengthening the Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole; finally the Group will match our strengths with market demand, capture the right growth opportunities while guarding the Group against economic headwinds.

China's online retail market will have a forecast compound annual growth rate in double digits. China's online retail market is being propelled by expansion of online categories and facilitated by the nationwide same or next-day delivery infrastructure build-out; and further online penetration of existing categories into lower-tier cities and rural areas; and further growth in the number of online shoppers.

Management Discussion and Analysis (Continued)

In view of the potential of China's online retail market, the Group is considering to explore potential business opportunities in this area, in particular, business opportunities in connection with the Group's trading business. As a result, development of e-commerce and Omni channel capacities is considered by the Group as a potential growth opportunity.

Financial Position and Capital Structure

As at 30 June 2017, the Group recorded total assets of approximately HK\$254,474,000 which were financed by internal resources of approximately HK\$99,525,000 and liabilities of approximately HK\$154,949,000. The Group had total cash and bank balances of approximately HK\$124,225,000. The current ratio (current assets divided by current liabilities) of the Group increased from 1.3 times as at 31 December 2016 to 1.6 times as at 30 June 2017. As at 30 June 2017, the Group did not have any deposit pledged to secure bank overdrafts, short-term bank loans and unused banking facilities. The Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 June 2017, the borrowings were mainly denominated in Hong Kong dollars ("HK\$"), while the cash and cash equivalents held by the Group were mainly denominated in HK\$, Renminbi ("RMB") and United States dollars ("US\$"). All of the company's borrowings are on a fixed rate basis.

Contingent Liabilities

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

Foreign Exchange Exposure and Interest Rate Risk

The Group continued to manage and monitor its interest rate and currency exchange risks exposure to ensure appropriate measures are implemented on timely and effective manner. The major borrowings of the Group carry interest at fixed rates.

With offices located in the PRC and Hong Kong, operating expenses and major transactions of the Group are primarily denominated in HK\$, RMB or US\$. As the HK\$ is pegged to the US\$, the Group does not expect to be exposed to any currency risks in the near term. Moreover, the Group has a foreign currency hedging policy to monitor the foreign exchange exposure by entering into structured forward contracts, or consider further hedging significant foreign currency exposure should the need arise.

Credit Policy

Regarding the credit risk on finance lease receivables, the Group would assess the credit quality of each potential lessee and define limits for each lessee before accepting any new finance lease. The Group also demands certain finance lease borrowers to pledge further collaterals with the Group apart from the subject leased assets at the time the finance lease arrangement is entered into where considered necessary. In addition, the Group would also monitor the repayment history of finance lease payments from each finance lease lessee with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the finance lease amount granted to the customers and any outstanding finance lease receivables.

Capital Expenditure

During the six months ended 30 June 2017, the Group did not incur investment (six months ended 30 June 2016: nil) on acquisition of property, plant and equipment.

Management Discussion and Analysis (Continued)

Charges on Assets

As at 30 June 2017, the assets of the Group which were subject to charges for securing obligations under finance lease comprised a motor vehicle with carrying value amounting to nil (2016: approximately HK\$348,000).

Employee and Remuneration Policy

As at 30 June 2017, the Group had workforce of approximately 12 persons including four executive directors, and two independent non-executive directors in Hong Kong and the PRC. Remuneration policies of the Group and the current market condition with salaries and wages were being reviewed on an annual basis. The Group also provided discretionary bonus, medical insurance, training programs, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the shareholders on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the six months ended 30 June 2017, no share options were granted by the Company since the adoption of the Scheme.

Other Disclosures

Significant Investment Held

Except for investment in subsidiaries, during the six months ended 30 June 2017 and as at the end of the reporting period, the Group did not hold any significant investment in equity interest in any company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2017, the Group disposed its entire equity interest in 東莞豐正針織有限公司 (Dongguan Feng Zheng Knitting Co., Ltd).

Future Plans for Material Investments and Capital Assets

As at 30 June 2017, the Group did not have any plans for material investments and capital assets.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (2016: nil).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2017, the interests and/or short positions of directors in the share, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company:

Name of director	Capacity and nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Mr. YU Xueming	Beneficial Interest	9,830,000 (L)	1.00
Mr. Zheng Qiang	Interest of controlled corporation (Note 2)	208,000,000 (L)	21.18

Notes:

- (1) The letter "L" denotes a long position in the directors' interest in the share capital of the Company.
- (2) Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.

Save as disclosed above, as at 30 June 2017, to the best knowledge of the directors, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Disclosures (Continued)

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
Top Star Group Holdings Limited (Note 2)	Beneficial interest	208,000,000 (L)	21.18
Billion Mission Limited (Note 3)	Beneficial interest	208,000,000 (L)	21.18
Integrated Asset Management (Asia) Limited (Note 4)	Beneficial interest	85,210,000 (L)	8.68
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 5)	Beneficial interest	58,800,000 (L)	5.99
Mr. Ke Xin Hai	Beneficial interest	57,000,000 (L)	5.80

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.
2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.
3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.
4. Mr. Yam Tak Cheung is the beneficial owner of 100% of the issued share capital of Integrated Asset Management (Asia) Limited and is deemed to be interested in the 85,210,000 Shares held by Integrated Asset Management (Asia) Limited under the SFO.
5. Shanxi Coking Coal Group Company Limited is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.

Save as disclosed above, as at 30 June 2017, no person, other than a Director, whose interests are set out under the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Disclosures (Continued)

Compliance with the Code on Corporate Governance Practices

The Company had complied throughout the six months ended 30 June 2017 with the code provisions set out in the Code on Corporate Governance Practices (the “Corporate Governance Code”) contained in Appendix 14 of the Listing Rules, except in relation to the followings:

Pursuant to Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), every board of directors of a listed issuer must include at least three independent non-executive directors. The audit committee of a listed issuer must comprise a minimum of three members under Rule 3.21 of the Listing Rules. Upon the resignation of Mr. Chan Yee, Herman with effect from 15 June 2017 as non-executive Director and Mr. Wang Wei Hung Andrew with effect from 15 June 2017 as independent non-executive Director, the Board comprises six members with four executive Directors and two independent non-executive Directors. As a result, the number of independent non-executive Directors of the Board has been reduced to two which is below the minimum number prescribed under Rule 3.10(1) of the Listing Rules. The number of members of the audit committee of the Company has been reduced to two which is below the minimum number prescribed under Rule 3.21 of the Listing Rules. The number of members of the nomination committee of the Company has been reduced to two and the Company has failed to meet the composition requirement of the nomination committee under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules and is below minimum number prescribed under the relevant terms of references of the Company.

In order to comply with Rule 3.10(1), Rule 3.21 and code provision A.5.1 of the Corporate Governance Code of the Listing Rules, the Company is endeavoring to identify a suitable candidate to fill up the abovementioned vacancies as soon as practicable and in any event within three months from 15 June 2017, and will make further announcement(s) as and when appropriate.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct (the “Code of Conduct”) regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2017.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company during the period under review.

Audit Committee

The Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 and discussed with the senior management the internal control, risk management and financial reporting matters as well as the accounting principles and practices adopted by the Group in relation to the preparation of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017.

By Order of the Board
Infinity Financial Group (Holdings) Limited
Yu Xueming
Chairman

Hong Kong, 25 August 2017