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**CHINA INTERNET INVESTMENT FINANCE HOLDINGS LIMITED**

**中國互聯網投資金融集團有限公司**

*(Continued into Bermuda with limited liability)*

**(Stock Code: 810)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE PERIOD ENDED 30 JUNE 2016**

**RESULTS**

The Board of Directors (the “Board”) of China Internet Investment Finance Holdings Limited (“the Company”) announced the unaudited interim result of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016, with comparative figures for the corresponding periods in 2015. These condensed consolidated interim financial statements have not been audited, but have been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and, by the Audit Committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2016*

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
Turnover – gross proceeds	4	<b><u>40,582</u></b>	<b><u>38,368</u></b>
Revenue	4	<b>2,211</b>	1,031
Net fair value change on financial assets at fair value through profit or loss		<b>(20,723)</b>	31,355
Other income		<b>13</b>	315
Other gains or losses		<b>(504)</b>	71
Administrative expenses		<b>(15,940)</b>	(12,464)
Other operating expenses		<b>(590)</b>	(657)
 (Loss) profit from operations		<b>(35,533)</b>	19,651

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Notes</i>		<b>(Unaudited)</b>	<b>(Unaudited)</b> <b>(Restated)</b>
	Finance costs	<b>(205)</b>	(50)
	Share of results of an associate	<b>(1,522)</b>	–
	(Loss) profit before income tax	<b>(37,260)</b>	19,601
	Income tax expense	<b>–</b>	–
	(Loss) profit for the period	<b>(37,260)</b>	19,601
	(Loss) profit for the period attributable to owners of the Company	<b>(37,260)</b>	19,601
	(Loss) earnings per share attributable to owners of the Company (HK cents)		
	– Basic and diluted	<b>(10.11)</b>	7.44

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

*For the six months ended 30 June 2016*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
(Loss) profit for the period	<u>(37,260)</u>	<u>19,601</u>
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	856	(86)
Reclassification of available-for-sale fair value reserve upon impairment loss recognised	<u>–</u>	<u>314</u>
Other comprehensive income for the period	<u>856</u>	<u>228</u>
Total comprehensive (loss) income for the period	<u><u>(36,404)</u></u>	<u><u>19,829</u></u>
<b>Total comprehensive (loss) income for the period attributable to owners of the Company</b>	<u><u>(36,404)</u></u>	<u><u>19,829</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

		As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		27,919	31,851
Intangible asset		120	120
Available-for-sale financial assets		49,658	20,484
Interest in an associate		7,735	9,813
		<b>85,432</b>	62,268
<b>Current assets</b>			
Financial assets at fair value through profit or loss		120,382	154,291
Other receivables, prepayments and deposits		2,073	1,819
Cash and bank balances		22,773	31,426
		<b>145,228</b>	187,536
Assets classified as held for sale	8	–	5,900
		<b>145,228</b>	193,436
<b>Total assets</b>		<b>230,660</b>	255,704
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	9	37,918	31,599
Reserves		176,398	200,701
		<b>214,316</b>	232,300
<b>Total equity</b>		<b>214,316</b>	232,300

	<b>As at 30 June 2016 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2015 HK\$'000 (Audited)</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables and accruals	4,451	9,680
Secured bank loan	4,295	4,518
Obligation under a finance lease	3,303	3,245
	<u>12,049</u>	<u>17,443</u>
<b>Non-current liability</b>		
Obligation under a finance lease	4,295	5,961
<b>Total liabilities</b>	<u>16,344</u>	<u>23,404</u>
<b>Total equity and liabilities</b>	<u>230,660</u>	<u>255,704</u>
<b>Net current assets</b>	<u>133,179</u>	<u>175,993</u>
<b>Total assets less current liabilities</b>	<u>218,611</u>	<u>238,261</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand unless otherwise indicated.

## 2. PRINCIPAL ACCOUNTING POLICIES AND DISCLOSURES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are carried at fair values, as appropriate.

The accounting policies and methods of computation used in the Interim Financial Statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 except for the change in relation to presentation of revenue as described below.

The Group’s previously presented the proceeds from disposal of trading securities in a gross basis and included as turnover, while the cost of sales on trading securities is either the cost brought forward from last year or the purchase cost if such trading securities are acquired during the period. The management considers it is more appropriate to present net fair value change on financial assets at fair value through profit or loss separately. Instead, the dividend income and listed debts securities interest income are reclassified as revenue. In addition, the Group presents the total gross proceeds from disposal of trading securities together with the dividend and interest income as the additional information. The effect of the changes described above on the preceding interim periods by line items presented in the condensed consolidated statement of profit or loss is as follows:

	Six months ended 30 June		
	2015	Increase (decrease)	2015
	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)		(Unaudited)
	(originally stated)		(restated)
Revenue	–	1,031	1,031
Turnover – gross proceeds from disposal of listed equity	37,337	(37,337)	–
Cost of equity securities disposed of	(29,269)	29,269	–
Net fair value change on financial assets at fair value through profit or loss	23,287	8,068	31,355
Dividend income	644	(644)	–
Listed debt securities interest income	387	(387)	–

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvement to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group’s principal activity is investment in equity and debt instruments. In prior period, two reportable operating segments, including listed and unlisted investments, were presented. In the current period, effective from 1 January 2016, for management purposes, the Group’s business activity is organised into one single segment, investment holding. For the purpose of resources allocation and assessment of performance, the management regularly reviews and manages the Group’s investment portfolio, including financial assets at fair value through profit or loss and available-for-sale financial assets. Information regularly provided to the management mainly includes fair value of the respective investees and the investment income, no further discrete financial information were provided. The Group’s financial assets and other investments holdings are managed and evaluated on a portfolio basis. Therefore, no separate segment information is presented by the Group.

The Group’s segment result by geographical areas are not presented for the period ended 30 June 2016 as significant transactions are mainly based in Hong Kong.

#### 4. TURNOVER – GROSS PROCEEDS AND REVENUE

Gross proceeds represents investment income of the Group and the gross proceeds from disposal of held-for-trading equity securities, as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
Gross proceeds from disposal of held-for-trading listed equity securities	<b>38,371</b>	37,337
Dividend income from listed equity securities	<b>1,351</b>	644
Interest income from listed debt securities	<b>860</b>	387
	<b>40,582</b>	<b>38,368</b>

Revenue represents dividend income and interest income. An analysis of the Group's revenue for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Dividend income from listed equity securities	<b>1,351</b>	644
Interest income from listed debt securities	<b>860</b>	387
	<b>2,211</b>	<b>1,031</b>



## 5. (LOSS) PROFIT FOR THE PERIOD

The Group's (loss) profit for the period is arrived at after charging (crediting):

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	3,979	1,108
Bank interest income	(13)	(315)
Minimum lease payment under operating leases:		
property rental	42	–
	<u>          </u>	<u>          </u>
Staff costs:		
Employee benefits expense (including directors' remuneration):		
Directors' emoluments	1,655	1,991
Salaries and allowances	6,125	5,581
Mandatory provident fund contributions	146	100
	<u>          </u>	<u>          </u>
	<u>7,926</u>	<u>7,672</u>

## 6. INCOME TAX EXPENSE

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for the six months ended 30 June 2016.

No provision for Hong Kong Profits Tax was made as the estimated assessable profits for the six months ended 30 June 2015 was fully offset by tax losses brought forward.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$37,260,000 (six months ended 30 June 2015: profit of approximately HK\$19,601,000) and the weighted average number of ordinary shares of 368,417,778 ordinary shares (six months ended 30 June 2015: 263,327,250 ordinary shares).

As at 30 June 2016 the outstanding share options of the Company have not been taken into account in the calculation of the weighted average number of ordinary share because the exercise price of these options is higher than the average share price during the period.

For the period ended 30 June 2015, there were no potential ordinary share in issue and the diluted earnings per share were equivalent to the basic earnings per share.

## 8. ASSETS CLASSIFIED AS HELD FOR SALE

	As at <b>30 June 2016</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	<b>5,900</b>	5,900
Disposal	<b>(5,900)</b>	–
At the end of the period/year	<b>–</b>	<b>5,900</b>

In March 2016, after certain approval of the change in shareholding of 北京華寶時代國際設備租賃有限公司 (“北京華寶”) was obtained, the Group recognised the disposal of the entire 30% equity interest in 北京華寶.

## 9. SHARE CAPITAL

	Number of <b>Ordinary shares</b> <i>(in thousand)</i> (Unaudited)	Nominal value of <b>ordinary shares</b> <i>HK\$'000</i> (Unaudited)
<b>Authorised:</b>		
At 1 January 2015 at HK\$0.01 each	20,000,000	200,000
At 31 December 2015 (audited), 1 January 2016 and 30 June 2016 (unaudited) at HK\$0.10 each	2,000,000	200,000
<b>Issued and fully paid:</b>		
At 1 January 2015	2,633,273	26,333
Share consolidation ( <i>Note a</i> )	(2,369,946)	–
Placing of new shares ( <i>Note b</i> )	52,662	5,266
At 31 December 2015 (audited) and 1 January 2016	315,989	31,599
Placing of new shares ( <i>Note c</i> )	63,192	6,319
<b>At 30 June 2016 (unaudited)</b>	<b>379,181</b>	<b>37,918</b>

*Notes:*

- a. With effect from 16 March 2015, the Company consolidated its shares on the basis that every ten issued and unissued shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each. Further details were mainly set out in the circular dated 25 February 2015 and announcement dated 13 March 2015.
- b. In August 2015, the Company issued a total of 52,662,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.51 each. Further details were mainly set out in the announcement dated 3 August 2015.
- c. In February 2016, the Company issued a total of 63,192,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.30 each. Further details were mainly set out in the announcement dated 1 February 2016.

**10. NET ASSETS VALUE PER SHARE**

The calculation of net assets value per share is based on the net assets of approximately HK\$214,316,000 (31 December 2015: HK\$232,300,000) and approximately 379,181,250 (31 December 2015: 315,989,250) ordinary shares in issue as at 30 June 2016. The net assets value per share as at 30 June 2016 is HK\$0.565 (31 December 2015: HK\$0.735).

**INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2016 (2015: Nil).

**KEY PERFORMANCE INDICATOR**

The net asset value of the Group is considered as the significant financial indicator which can measure the development and performance of the Company's business. During the period, the net asset value of the Group changed from HK\$232.3 million to HK\$214.3 million. The decrease in net asset value of 7.7% was mainly attributable to the net fair value loss of the equity investment portfolio, which is in line with to the performance in the Hong Kong stock market for the same period. During the period, the Hang Seng Index, Hang Seng China Enterprises Index and GEM Board Index fell 5.1%, 9.8% and 15.8% respectively. The decrease was also mitigated by the increase in the Company's equity through a share placement during the period. The net asset value per share was HK\$0.565, which was calculated on the above net assets value and 379,181,250 ordinary shares of HK\$0.10 each in issue as at 30 June 2016.

## **FINANCIAL REVIEW**

### **INVESTMENT PORTFOLIO REVIEW**

#### **Listed equity and listed debt securities**

During the period, the Group's listed investment portfolio decreased from HK\$174.8 million to HK\$170.0 million, representing a decrease of about 2.7%, and it primarily comprised of investment in listed equity/debt securities. Investments which were classified as financial assets through profit or loss amounted to HK\$120.4 million (31 December 2015: HK\$154.3 million). Investments which were not held for trading were classified as available-for-sale financial assets. As at 30 June 2016, the available-for-sale financial assets comprised listed debt securities and amounted to about HK\$49.7 million (31 December 2015: HK\$20.5 million).

The Group has taken a conservative approach in rebalancing its investment portfolios. Typically, there is a negative correlation between the performance of equities and bonds. Thus, the Group's combination of stocks and bonds can ensure the enjoyment of the upside of the stocks. However, when the market uncertainty is high, the Group can reduce risks by shifting to investment in bonds and during the period, the Group has increased the bonds investment from HK\$20.5 million to HK\$49.7 million which represented about 29.2 % in the listed investment portfolio.

#### **Unlisted investment**

This represents the 30% equity interest in a HK company, Superb Kingdom Limited, which is primarily engaged in the sales of LED lighting products. The investment, classified as an associate, was stated at the amount of HK\$7.7 million (31 December 2015: HK\$9.8 million).

## **REVIEW OF OPERATIONS**

### **Turnover**

For the period ended 30 June 2016, the Group recorded a turnover of about HK\$40.6 million (2015: HK\$38.4 million), representing an increase of about 5.7% as compared to the corresponding period of last year.

### **Revenue**

For the period ended 30 June 2016, the revenue of the Group was HK\$2.2 million (2015: HK\$1.0 million), comprising of dividend income from listed equity securities of about HK\$1.3 million (2015: HK\$0.6 million) and listed debts securities interest income of about HK\$0.9 million (2015: HK\$0.4 million).

## **Loss from operations**

During the first half of 2016, the Hang Seng Index and the Hang Seng China Enterprises Index fell 5.1% and 9.8% respectively. Significant volatility exhibited in the renminbi and commodity prices added to the general losses suffered by the investors. In general, investor sentiment was weak amid volatility in overseas and Mainland markets. All of the above have dampened the market activity and trading in the stock market also decreased.

According to “Research report No. 59: Half-yearly review of the Global and Local Securities Markets” issued by the Securities Futures Commission on 15 July 2016, average daily turnover amounted to \$67.5 billion, 22% lower than the \$86.7 billion in the second half of 2015. In January 2016, the market fell on intensifying worries over Mainland economic slowdown. Concerns over a weakening Hong Kong dollar weighed on the market. The Hong Kong dollar hit an 8-year low at one point. Following gains in overseas and Mainland markets, the local market rebounded amid optimism about further stimulus measures by global central banks. The reserve requirement ratio cut by the People Bank of China in February 2016 and easing worries over interest rate hikes in the US improved the sentiment. In April 2016, the stock market fell again amid lingering concerns about the economic outlook in the Mainland and uncertainties about the timing of US rate hikes. In June 2016, the investors’ sentiment was further affected by the UK’s vote to exit the EU. Later, the market rebounded amid expectations over central banks’ stimulus measures and speculation of the launch of Shenzhen-Hong Kong Stock Connect.

The loss from operations of approximately HK\$35.5 million (2015: profit from operations of HK\$19.7 million) was mainly attributable to the fluctuations in the unrealised fair value change arising from the period end re-measurement. In particular, the stock market performed exceptionally well in the first half of 2015 and consequently there was a net fair value gain of HK\$31.4 million as opposed to the net fair value loss of HK\$ 20.7 million by the end of June 2016 following the market tuning bearish since the second half of 2015.

The administrative expenses increased to HK\$15.9 million (2015: HK\$12.5 million). The expenses mainly comprised of employment benefit expenses of about HK\$7.9 million (2015: HK\$7.7 million) and depreciation charge of fixed assets of about HK\$4.0 million (2015: HK\$1.1 million). The increase in depreciation charge was mainly due to the full period effect of depreciation charge for certain fixed assets. The other losses of about HK\$0.5 million (2015: other gains of about HK\$71,000) was mainly attributable to the unrealised exchange loss on listed debt securities denominated in United States dollars. During the period, the Group also incurred finance costs of about HK\$0.2 million for certain mortgage loan and finance lease, which were used to finance the acquisition of certain property, plants and equipments.

### **Share of results of an associate**

It refers to the investment in Superb Kingdom Limited (“Superb Kingdom”) which sells its products in Asia under a German brand of Segula. Currently, Superb Kingdom focuses on the businesses at casinos and five-star hotels in Macau and other Asian countries.

Because the gaming market in Macau has encountered great challenges, the orders flow for its LED lighting products was inevitably deferred. Moreover, there were certain claims caused by the quality issues of LED lighting bulbs mainly provided by a previous supplier. Consequently, the share of losses of Superb Kingdom was about HK\$1.5 million during the period.

Superb Kingdom is now working diligently to solicit certain new orders from its customers and together with the support from Segula GmbH, the owner of the brand. Superb Kingdom aims to increase its sales in the coming year.

### **UPDATE ON RECOVERY OF OUTSTANDING CONVERTIBLE NOTE (“CN”) RECEIVABLES**

The Group’s lawyers have continued the recovery actions of the outstanding convertible note receivables which was in the amount of RMB15 million as at 31 December 2015. Master Glory Holdings Limited, a subsidiary of the Company, commenced company winding up proceedings in the High Court of Hong Kong against Ascent Glory Holdings Limited which is the CN Issuer, and Grand Success Business Limited which is the CN guarantor, respectively. The hearing date of the petitions will be in September 2016.

In August 2016, Master Glory also issued a writ of summons in the Court of First Instance of Hong Kong against the individual guarantor for the above amount of net outstanding receivable.

## **PROSPECTS**

### **Market Outlook**

The performance of the Hong Kong market continues to be affected by a combination of the Mainland factors and uncertainties in overseas markets. In the US, the timing of interest rate hikes remains uncertain. The US dollar may continue to strengthen, weighing on commodity prices. This may result in capital outflows from emerging markets, some of which rely strongly on commodity exports. Investors are also concerned about the impact of rising interest rates on the US and global economy. As higher volatility will likely continue in overseas and regional markets, the Hong Kong market is also affected.

In the Mainland, investor sentiment is fragile given mixed economic data and the volatile renminbi exchange rate. There are concerns that the renminbi might further depreciate amid worries about the Mainland's economic slowdown. Dimmed hopes for proactive government stimulus measures will likely continue to weigh on the market. Investors are also cautious about high bad debts and rising credit default risks which can affect the Mainland banking sector. All of these will continue to affect the outlook of the Hong Kong market, which is closely linked with the Mainland market. In Europe, economic recovery remains fragile and worries over deflation persist. It is uncertain as to what extent the supportive policy would be able to offset the impact of any future US interest rate hikes on the economy. If economic growth stalls, the financial health of some indebted EU nations may be affected. In addition, Brexit has intensified market volatility and created further political and economic uncertainties in Europe.

Turning to the internet finance industry in the Mainland, the Group has decided to adopt a more cautious stance for considering the possible future investments there. In particular, the peer to peer ("P2P") lending business has been subjected to close supervision and cleaning up by the relevant Chinese authorities. A task force made up of various departments under the State Council has started a rectification programme to clean up the internet finance industry since the second quarter of 2016. Specifically, local police, industry and commerce authorities have prohibited P2P companies from raising funds for their own projects or guaranteeing loans. However, the internet sector still provides abundant potential opportunities for investment.

## **Way Forward**

The heightened uncertainty of the global economic outlook will add more volatility to global and local markets. The Group has adopted both the buy-and-hold strategy and trading strategy for the equity portfolio. The investment manager, Success Talent Investment Limited, also regularly reviews the portfolios in order to enhance our risk-adjusted return performance.

Hong Kong's Securities and Futures Commission and the China Securities Regulatory Commission launched the Shanghai-Hong Kong Connect in 2014. The link, hailed as a major step in China's efforts to open up its capital market, allows foreign investors to place buy or sell orders for Shanghai's A-share market through brokers in Hong Kong. Chinese investors, meanwhile, are able to use mainland brokers to invest in Hong Kong's H-share market. The Shenzhen-Hong Kong connect is expected to be launched before the end of this year and this would open up mainland China's second-largest stock exchange in the same way. This can be seen as one of the key catalyst for improving the investor sentiment.

The Group plans to tap into the market opportunities by investing in the PRC private fund management business. In August, we entered into a non-legally binding letter of intent. Pursuant to which, the Group may invest in a Qianhai company to explore investment activities and opportunities in the PRC. The requisite registration as a private fund manager in the PRC may also be applied for. For details, please refer to the announcement dated 3 August 2016.

Moreover, the Group will further invest in unlisted companies because their internal rate of return can be high. This can further diversify our portfolio by major asset classes. The Group also continues to enhance its capital base by fund-raising through the stock market, when appropriate. Subsequent to the balance sheet date, on 8 July 2016 the Company has allotted and issued 75,780,000 Placing Shares at HK\$0.35 per share. In order to further increase its financial strength, the Group will use the proceeds for working capital or potential investments.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial resources and liquidity**

As at 30 June 2016, the cash and bank balances amounted to approximately HK\$22.8 million (As at 31 December 2015: HK\$31.4 million) and the net current assets amounted to approximately HK\$133.2 million (31 December 2015: HK\$176.0 million).

As at 30 June 2016, the Group had no capital commitment (31 December 2015: Nil).



### **Gearing ratio**

As at 30 June 2016, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 5.5% (31 December 2015: 6%) and the ratio was maintained steadily.

### **Property, plant and equipment**

As of 30 June 2016, the Group's property, plant and equipment amounted to approximately HK\$27.9 million (as at 31 December 2015: HK\$31.9 million).

### **Material acquisition and disposal**

During the period, there were no significant acquisitions or disposals of principal subsidiaries.

### **Share option scheme**

During the period, no share options had been granted, exercised, cancelled and lapsed and there are 8,060,000 shares options outstanding at 30 June 2016. On 11 July 2016, the Company granted 7,490,000 share options to certain directors and employees of the Company. There arose share-based payments of HK\$1,314,000 (2015: Nil), which have been recognized as equity settled share-based payments in the condensed consolidated statement of profit or loss for the six months ended 30 June 2016.

### **Exposure to foreign exchange**

The investment portfolio primarily comprises listed equities in Hong Kong stock market and debt securities, and other funds are usually maintained in the banks. Majority of them are denominated in Hong Kong dollars or United States dollars. The Board considers the Group has no significant exposure to foreign exchange fluctuation at the balance sheet date.

### **Capital structure**

In February 2016, the Company issued a total of 63,192,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.30 each, by way of a share placement. The net proceeds of about HK\$18.43 million will be used for the general working capital of the Group and for potential investments to be identified.

As at 30 June 2016, the Company's total number of issued shares was 379,181,250 (31 December 2015: 315,989,250 shares).

Subsequent to the balance sheet date, in July 2016, the Company issued a total of 75,780,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.35 each, by way of a share placement. The net proceeds of about HK\$26.5 million will be used for the general working capital of the Group and for the potential investments to be identified.

### **Pledge of the company's assets**

As at 30 June 2016, the office premises with a carrying amount of HK\$12.2 million (31 December 2015: HK\$12.5 million) was pledged for an instalment loan and the Group's obligations under a finance leases was secured by the Group's title to the leased assets, which had carrying amount of approximately HK\$11.6 million (31 December 2015: 14.3 million).

### **Human resources**

As at 30 June 2016, the Company has 27 employees (31 December 2015: 27), and all of them were in Hong Kong. The remuneration packages for the employees and the directors are in line with the prevailing market practice and are determined on the basis of performance and experience of each individual.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining and implementing a high standard of corporate governance and recognises that good governance can help the business to deliver its strategies, generate shareholder value and meet its obligations towards shareholder and other stakeholders. The Company has established a governance structure, and embeds governance and principles in the business to ensure accountability, fairness, integrity and transparency. The Board adheres to corporate governance practices by adopting and complying with the established rules, codes, guidelines under the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules.

The Company has followed the CG Code and formulated its own policies and procedures regarding the corporate governance practices. During the period ended 30 June 2016, the Company complied with all of the provisions under the CG Code except for the following:

### **Code A.4.1**

All the Non-executive Directors were not appointed for a specific term, however, their appointment are subject to retirement by rotation at the annual general meeting as specified in the bye-laws of the Company.

### **Code A.7.1**

The code provision A.7.1 requires an agenda and accompanying board papers should be sent, in full, to all directors for regular board meetings and as far as practicable in all other cases. These papers should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

Due to the practical reasons, an agenda and accompanying board papers have not been sent, in full, in 3 days in advance to certain meetings of the Board or Board Committee. Save for the disclosure for certain inside information which demanded timely publication of announcements, the Company Secretary has used its best endeavours to send the agenda and accompanying board paper, in full to the Board or Board Committee at least 3 days in advance to the extent practicable.

### **AUDIT COMMITTEE**

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Tam Yuk Sang, Sammy, Dr. Ng Chi Yeung, Simon and Ms. Florence Ng, with written terms of reference in compliance with the code provision C.3.3 of the Code as set out in the Appendix 14 of the Listing Rules. Mr. Tam Yuk Sang, Sammy is the chairman of the audit committee.

The Audit Committee has reviewed with the management on the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters including a review and approval of the annual financial statements for the year ended 31 December 2015 (“Annual Report”).

The Audit Committee has reviewed the interim report, including the unaudited condensed consolidated interim financial information of the Group for the Period, which has also been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **REMUNERATION COMMITTEE**

The Board established a Remuneration Committee in 2005 primarily to review and make recommendations to the Board on matters relating to the remuneration of the Directors and the senior management of the Company. The Remuneration Committee currently consists of three Independent Non-executive Directors, namely Dr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang Sammy and Ms. Florence Ng. Mr. Tam Yuk Sang Sammy is the Chairman of the Remuneration Committee.

The Remuneration Committee has adopted terms of reference which are in line with the CG Code to review the remuneration policy and remuneration packages of the Executive Directors.

## **NOMINATION COMMITTEE**

The Nomination Committee (“Committee”) was established in 2012. Currently, the Committee consists of one Executive Director, namely, Mr. Lee Kwok Leung and three Independent Non-executive Directors, namely, Dr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Ms. Florence Ng. Dr. Ng Chi Yeung, Simon is the Chairman of the Committee.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions (the “Model Code”). Having made specific enquiry of all directors of the Company, the directors of the Company have confirmed that they have fully complied with the required standard as set out in the Model Code throughout the period ended 30 June 2016.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES**

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

## **APPRECIATION**

On behalf of the Company, I would express my heartfelt gratitude towards all of the directors, management and staff members for their support and contribution to the Group. I sincerely hope that the new investment focus in the internet finance and investment sector can bring the performance of the Company to the next level.

On behalf of the Board  
**China Internet Investment  
Finance Holdings Limited**  
**Lam Man Chan**  
*Chairman*

Hong Kong, 29 August 2016

*As at the date of this announcement, the executive director of the Company is Mr. Lee Kwok Leung; the non-executive director of the Company is Dr. Lam Man Chan and the independent non-executive directors of the Company are Dr. Ng Chi Yeung, Simon, Mr. Tam Yuk Sang, Sammy and Ms. Florence Ng.*