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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 2018

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 2018, with comparative figures for the corresponding periods in 2017. 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 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue			
Dividend income from financial assets at fair value through profit or loss		**1,006**	938
Interest income from debt instruments at fair value through other comprehensive income		**1,037**	—
Interest income from available-for-sale financial assets		—	998
Interest income from financial assets at fair value through profit or loss		—	104
		2,043	2,040

	Notes	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Unaudited)
Net fair value change on financial assets at fair value through profit or loss		**(3,360)**	(11,062)
Other income		**77**	2
Other gains or losses		**125**	387
Administrative expenses		**(15,511)**	(14,250)
Other operating expenses		**(585)**	(578)
Loss from operations		**(17,211)**	(23,461)
Finance costs		**(77)**	(142)
Share of results of associates		**—**	(304)
Loss before income tax		**(17,288)**	(23,907)
Income tax expense	6	**—**	—
Loss for the period	5	**(17,288)**	(23,907)
Loss for the period attributable to owners of the Company		**(17,288)**	(23,907)
Loss per share attributable to owners of the Company (HK cents) — Basic and diluted	7	**(2.93)**	(4.49)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(17,288)**	(23,907)
Other comprehensive (loss) income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(10)**	—
Fair value (loss) gain on:		
Available-for-sale financial assets	**—**	1,118
Debt instruments at fair value through other comprehensive income	**(2,215)**	—
Reclassification of available-for-sale fair value reserve upon impairment loss recognised	**—**	(743)
Other comprehensive (loss) income for the period	**(2,225)**	375
Total comprehensive loss for the period	**(19,513)**	(23,532)
Total comprehensive loss for the period attributable to owners of the Company	**(19,513)**	(23,532)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**As at 30 June 2018 *HK$'000* (Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**13,016**	16,313
Intangible asset		**120**	120
Available-for-sale financial assets	8	**—**	37,756
Debt instruments at fair value through other comprehensive income	8	**35,691**	—
Financial assets at fair value through profit or loss	9	**91,095**	46,140
Interests in associates	10	**—**	—
		139,922	100,329
Current assets			
Financial assets at fair value through profit or loss	9	**37,397**	66,226
Amount due from an associate		**—**	2,500
Other receivables, prepayments and deposits		**4,469**	2,726
Cash and bank balances		**4,659**	22,541
		46,525	93,993
Total assets		**186,447**	194,322
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	**65,512**	54,595
Reserves		**111,361**	127,480
Total equity		**176,873**	182,075
LIABILITIES			
Current liabilities			
Other payables and accruals		**5,325**	6,037
Secured bank loan		**3,375**	3,610
Obligation under a finance lease		**874**	2,600
		9,574	12,247
Total equity and liabilities		**186,447**	194,322
Net current assets		**36,951**	81,746
Total assets less current liabilities		**176,873**	182,075

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2018 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") and the disclosure requirements of the Hong Kong Companies Ordinance.

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 on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), and the application of new accounting policy for an investment in an associate in which the Group elected to measure at fair value through profit or loss, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Investments in associates

The Group may elect to measure investment in its associate at fair value through profit or loss in accordance with HKFRS 9. The Group shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture, according to the clarified amendments to HKAS 28.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Except as described as below, the application of the amendments to HKFRSs in the current year has had no impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

<u>Classification and measurement of financial assets</u>

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance is recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is separately disclosed in the condensed consolidated statement of profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.1.2.

Impairment under ECL model

The Group assesses ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables, debt instruments at fair value through other comprehensive income and cash and bank balances). The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of assessment and the impact thereof are detailed in note 2.1.2.

2.1.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale financial assets** *HK$'000*	**Financial assets designated at FVTPL** *HK$'000*	**Financial asset at FVTPL required by HKFRS 9** *HK$'000*	**Debt instruments at FVTOCI** *HK$'000*
At 31 December 2017 — HKAS39		37,756	112,366	—	—
Effect arising from initial application of HKFRS 9:					
Reclassification					
From available-for-sale financial assets	(a)	(37,756)	—	—	37,756
From designated at FVTPL	(b)	—	(112,366)	112,366	—
At 1 January 2018		—	—	112,366	37,756

(a) Available-for-sale financial assets

From available-for-sale financial assets to debt instruments at FVTOCI

Listed bonds with a fair value of HK$37,756,000 were reclassified from available-for-sale financial assets to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value gains of HK$658,000 continued to accumulate in the AFS/FVTOCI reserve as at 1 January 2018.

(b) Financial assets at FVTPL and designated FVTPL

At the date of initial recognition, the Group no longer applied designations measured at FVTPL for the portfolio of equity securities which is managed and its performance is evaluated on a fair value basis, as these equity securities are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of HK$112,366,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

Impairment under ECL model

Majority of the Group's debt instruments at FVTOCI are listed bonds that are investment grade among rating agencies. The loss allowance is measured on 12m ECL basis. Based on the assessment of the management, the expected credit loss is immaterial.

3. SEGMENT INFORMATION

The Group's principal activity is investment in equity and debt instruments. For management purposes, the Group's business activity is organized 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 debt instruments at fair value through other comprehensive income. Information regularly provided to the management mainly includes fair value of respective investees and the investment income, no further discrete financial information was provided. The Group's financial assets and other investments holdings are managed and evaluated on a portfolio basis. Therefore, no segment information is presented.

The Group's segment result by geographical areas are not presented for the period ended 30 June 2018 as significant transactions are mainly based in Hong Kong.

4. GROSS PROCEEDS FROM DISPOSAL OF EQUITY SECURITIES AND INVESTMENT INCOME

Gross proceeds represent investment income of the Group and the gross proceeds from the disposal of equity securities, as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gross proceeds from disposal of listed equity securities	**24,385**	40,066
Dividend income from financial assets at fair value through profit or loss	**1,006**	938
Interest income from debt instruments at fair value through other comprehensive income	**1,037**	—
Interest income from available-for-sale investments	**—**	998
Interest income from financial assets at fair value through profit or loss	**—**	104
	26,428	42,106

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The Group's loss for the period is arrived at after charging (crediting):		
Depreciation	**3,456**	3,987
Bank interest income	**(4)**	(2)
Minimum lease payment under operating leases:		
Property rental	**102**	12
Staff costs:		
Employee benefits expenses:		
Directors' emoluments	**1,332**	1,242
Salaries, allowances and other benefits	**6,678**	6,162
Mandatory provident fund contributions	**145**	139
	8,155	7,543

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 2018 (2017: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$17,288,000 (six months ended 30 June 2017: loss of approximately HK$23,907,000) and the weighted average number of ordinary shares of about 589,378,000 ordinary shares (six months ended 30 June 2017: about 532,881,000 ordinary shares).

As at 30 June 2018, the outstanding share options of the Company were 15,100,000 (30 June 2017: 15,100,000) and their effect was anti-dilutive.

8. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018 ***HK$'000*** **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Listed debt securities, at fair value		
— Hong Kong	**—**	28,094
— Outside Hong Kong	**—**	9,662
Debt instruments at fair value through other comprehensive income		
— Hong Kong	**26,800**	—
— Outside Hong Kong	**8,891**	—
	35,691	37,756

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 ***HK$'000*** **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Listed equity securities, at fair value		
— Hong Kong	**112,219**	112,077
— Australia	**273**	289
Unlisted equity investment, at fair value	**12,700**	—
Derivatives of unlisted equity investment, at fair value	**3,300**	—
	128,492	112,366
Analysed for reporting purposes, as:		
Non-current assets	**91,095**	46,140
Current assets	**37,397**	66,226
	128,492	112,366

Fair values of listed equity securities are primarily based on their quoted prices (unadjusted) in active markets.

Fair values of unlisted equity investment are determined using a valuation technique that is classified as Level 3 in the fair value hierarchy.

On 8 June 2018, the Group entered into subscription agreement with third parties to subscribe 14% of new shares in the issued share capital of a private company (the "investee") at a consideration of HK$16,000,000. The Group shall have the right to appoint one director to the board. As at 30 June 2018, the investee had three directors on the board. The quorum for the board meetings shall be any two directors. All decisions of the board shall be by a simple majority vote of the directors. Based on the assessment by the management, the Group has significant influence over the investee, which is considered as an associate of the Group. The Group has elected to measure the investment in this associate at fair value through profit of loss. As at 30 June 2018, the fair value of this unlisted equity investment amounted to HK$12,700,000.

On the same date of the subscription agreement, the Group entered into a shareholders' agreement and was granted by one of shareholders of the investee a put option, an earn-out option and a call option over 14% of the shares. The Group has the right, but not the obligation, to require this shareholder of the investee to buy back all the shares subscribed at the original consideration paid (i.e. HK$16,000,000) plus an interest of 15% per annum. The put option is only exercisable upon occurrence of certain events ("put events") on or before 31 December 2019. Regarding the call option, if a put event has occurred but the Group does not exercise the put option within 90 days from the date of occurrence of the put events, this shareholder of the investee shall be entitled but is not obliged to require the Group to sell all of the shares held. For the earn-out option, this shareholder of the investee shall pay monetary compensation to the Group if the investee fails to achieve certain earning target.

As at 30 June 2018, the earning target has been achieved by the investee, this shareholder of the investee is not required to pay such monetary compensation and therefore the fair value of earn-out option is nil. Under the assumption of a probability of 50% on the occurrence of put events, the aggregate fair value of the put option and call option amounted to HK$3,300,000.

10. INTERESTS IN ASSOCIATES

	As at 30 June 2018 ***HK$'000*** **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Unlisted equity shares, at cost	**9,000**	9,000
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(4,530)**	(4,530)
Impairment loss *(note)*	**(4,470)**	(4,470)
	—	—

Note:

During the year ended 31 December 2017, in determining whether the interests in associates were impaired, the Group measured the difference between the carrying amounts and the net present value of the estimated future cash flows generated from these associates. In view of continuing loss-making performance of these associates, the management expected that no estimated future cash inflow could be generated from operations and proceeds from the ultimate disposal of these associates in the foreseeable future. Based on the management's assessment, an impairment loss on interests in associates of HK$1,173,000 was recognised in profit and loss of the Group during the year ended 31 December 2017 to further reduce the carrying amounts of these associates to nil.

11. SHARE CAPITAL

	Number of ordinary shares *(in thousand)* (Unaudited)	Nominal value of ordinary shares *HK$'000* (Unaudited)
Authorised:		
At 1 January 2017, 31 December 2017 (audited), 1 January 2018 and 30 June 2018 (unaudited) at HK$0.10 each	2,000,000	200,000
Issued and fully paid:		
At 1 January 2017	454,962	45,496
Placement of new shares *(note a)*	90,990	9,099
At 31 December 2017 (audited) and 1 January 2018	545,952	54,595
Placement of new shares *(note b)*	109,170	10,917
At 30 June 2018 (unaudited)	**655,122**	**65,512**

Notes:

a. In January 2017, the Company issued a total of 90,990,000 ordinary shares with par value of HK$0.10 each at a price of HK$0.26 each. Further details were mainly set out in the announcement dated 27 January 2017.

b. In April 2018, the Company issued a total of 109,170,000 ordinary shares with par value of HK$0.10 each at a price of HK$0.135 each. Further details were mainly set out in the announcement dated 20 April 2018.

12. NET ASSETS VALUE PER SHARE

The calculation of net assets value per share is based on the net assets of approximately HK$176,873,000 (31 December 2017: HK$182,075,000) and about 655,122,000 (31 December 2017: about 545,952,000) ordinary shares in issue as at 30 June 2018. The net assets value per share as at 30 June 2018 is HK$0.27 (31 December 2017: HK$0.33).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2018 (2017: Nil).

KEY PERFORMANCE INDICATOR

The net asset value of the Group is key performance indicator and, as at 30 June 2018, it was stated to be about HK$176.9 million (31 December 2017: HK$182.1 million). The decrease in net asset value of 2.9% was mainly attributable to the net fair value loss of the equity investment portfolio, which is in line with 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 3.2%, 5.4% and 10.5% 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$0.27, which was calculated on the above net assets value and about 655,122,000 ordinary shares of HK$0.10 each in issue as at 30 June 2018.

FINANCIAL REVIEW

INVESTMENT PORTFOLIO REVIEW

Debt instruments at fair value through other comprehensive income

During the period, the Group has applied HKFRS 9 Financial Instruments. The Group changed the classification of financial assets of debt securities from available-for-sale investments to financial assets at fair value through other comprehensive income ("FVTOCI"). Details of the impacts and changes in accounting policies of application on HKFRS 9 are provided in the Note 2 to the condensed consolidated financial statements. As at 30 June 2018, the debt instruments of HK$35.7 million were measured at FVTOCI and classified as non-current assets. For the six months period ended 30 June 2018, the Company suffered an unrealized loss of about HK$2.2 million on certain listed debt securities which were denominated in U.S. dollars. These fair value losses were recognized in the other comprehensive income.

Financial assets at fair value through profit or loss

The current portion comprised listed equity investments of about HK$37.4 million (31 December 2017: HK$66.2 million). The non-current portion comprised listed equity investments of about HK$75.1 million (31 December 2017: HK$46.1 million) and an unlisted equity investment, together with the derivatives, of HK$16.0 million (31 December 2017: Nil).

Unlisted equity investment

On 8 June 2018, the Group entered into a subscription agreement with third parties to subscribe 14% of new shares in the issued share capital of an investee at a consideration of HK$16,000,000. The investee group has been engaged in the provision of driving training service with two driving schools, which operated in Zhumadian City, Henan Province, the PRC. On the same date of the subscription agreement, the Group was granted by one of shareholders of the investee a put option and an earn-out option and granted a call option over 14% of shares. As at 30 June 2018, the fair value of this unlisted equity investment amounted to HK$12.7 million, and the aggregate fair value of options amounted to HK$3.3 million. Details of this unlisted equity investment are provided in Note 9 to the condensed consolidated financial statements.

REVIEW OF OPERATIONS

For the period ended 30 June 2018, the Group recorded a gross proceeds from disposal of listed equity securities and investment income of about HK$26.4 million (2017: HK$42.1 million), representing decrease of about 37.3% as compared to the corresponding period of last year.

Revenue

For the period ended 30 June 2018, the revenue of the Group was HK$2.0 million (2017: HK$2.0 million), comprising of dividend income from financial assets at fair value through profit or loss of about HK$1.0 million (2017: HK$0.9 million) and interest income from debt instruments at fair value through other comprehensive income of about HK$1.0 million (2017: HK$1.0 million).

Loss from operations

During the period, Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) fell 3.2% and 5.4% respectively. After registering a sharp gain in 2017, the Hong Kong market fell in the first half of 2018. The HSI once rose to a historical high and the HSCEI to a 2.5-year high in January, but recorded overall declines during the first half of 2018. Although the inclusion of A-shares in MSCI Emerging Market Index in May 2018 would prompt participation by international institutional investors in the Chinese market, the introduction of weighted voting rights structure by the Hong Kong Stock Exchange could not provide a strong catalyst to the stock market, through the listing of Xiaomi shares. There were concerns that global trade tensions and higher overseas market volatility might have a contagion effect on the Hong Kong market. Investor sentiment was also affected by concerns that rising interest rates and a stronger United State dollar could reduce interbank liquidity in Hong Kong, thereby affecting market performance.

According to "Research report No. 63: Half-yearly review of the Global and Local Securities Markets" issued by the Securities Futures Commission on 28 July 2018, major market risks and uncertainties include trade tensions and worries about an acceleration in rate hikes. Moreover, there have been outflows from emerging markets as the US dollar strengthens. Lastly, the depreciation of renminbi as a result of the trade war with the US as well as tightening measures and deleveraging in Mainland financial markets adversely affected the investor sentiment.

The Group has reduced the loss from operations from HK$23.9 million to HK$17.3 million. This was mainly attributable to the net fair value change on financial assets at fair value through profit or loss reduced from HK$11.1 million to HK$3.4 million.

Other income increased by approximately HK$75,000 due to the loan interest income of about HK$73,000 from an associate during the 6 month ended 30 June 2018.

The other gains of about HK$125,000 (2017: other gains of HK$387,000) was mainly attributable to the unrealized exchange gain on listed debt securities denominated in United States dollars.

The administrative expenses slightly increased to HK$15.5 million (2017: HK$14.3 million). The expenses mainly comprised of employment benefit expenses of HK$8.2 million (2017: HK$7.5 million).

Share of results of associates

As mentioned in the annual report of FY 2017, all the investment amounts have been fully impaired and, as such, there has been no further accounting of the results of the associates.

UPDATE ON RECOVERY OF OUTSTANDING CONVERTIBLE NOTE ("CN") RECEIVABLES

While the liquidators are carrying out the winding up of the CN issuers and the corporate guarantor, the Group's lawyers are still reviewing and taking recovery actions against the remaining parties, if practicable. Details of the CN are provided in the previous annual reports.

PROSPECTS

In June 2018, the United State imposed 25% tariffs on USD50 billion of Chinese good with industrially significant technology and restrictions on Chinese telecom companies. In response, the Mainland imposed retaliatory tariffs on imports from the United State. Thereafter, trade tensions between the United State and the Mainland have escalated. The United State has recently announced additional 25% tariffs to be imposed on another USD200 billion worth of Chinese imports. While the trade war between the United State and the Mainland has created great uncertainties, the renminbi has also depreciated and foreign exchange reserves declined amid such trade war concerns.

Moreover, there are lingering worries about stricter regulations in the financial and property sectors. Worries about the deleveraging, and bond defaults after the strong debt growth could destabilize the Chinese economy and may weigh on the markets. Certain peer-to-peer lending platforms also exhibited significant cash flow problems.

In view of the uncertain economic environment, the Group will be more cautious about investing in listed equities and will put more emphasis on the overall liquidity position. We are also reviewing our bond portfolio and reduce the investments there to further balance the return-risk profile. During the period, the Group has set up an office in Shenzhen to ensure a proper vehicle being there to carry out the private equity investment. Moreover, we are in the process of application for a money lender license which can provide pre-IPO financings and other investment related financings.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial resources and liquidity

As at 30 June 2018, the cash and bank balances amounted to approximately HK$4.7 million (31 December 2017: HK$22.5 million) and the net current assets amounted to approximately HK$37.0 million (31 December 2017: HK$81.7 million). The drop in cash and bank balances was primarily as a result of the purchases of new investments and decrease in sales proceeds received from sales of listed debts and equity investments in the six months period ended 30 June 2018.

As at 30 June 2018, the Group had no capital commitment (31 December 2017: Nil).

Gearing ratio

As at 30 June 2018, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 2.4% (31 December 2017: 3.4%) and the ratio was maintained steadily.

Property, plant and equipment

As of 30 June 2018, the Group's property, plant and equipment amounted to approximately HK$13.0 million (31 December 2017: HK$16.3 million). The drop was mainly attributable to the depreciation charge of about HK$3.5 million in the six months period ended 30 June 2018.

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 15,100,000 shares options outstanding at 30 June 2018.

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 April 2018, the Company issued a total of 109,170,000 ordinary shares with par value of HK$0.10 each at a price of HK$0.135 each, by way of a share placement. The net proceeds of about HK$14.8 million will be used for the general working capital of the Group and for potential investments to be identified.

As at 30 June 2018, the Company's total number of issued shares was about 655,122,000 (31 December 2017: about 545,952,000 shares).

Pledge of the group's assets

As at 30 June, 2018, the office premises with a carrying amount of HK$11.2 million (31 December 2017: HK$11.4 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$0.9 million (31 December 2017: HK$3.6 million).

Human resources

As at 30 June, 2018, the Company has 25 employees (31 December 2017: 27), and all of them were in Hong Kong. Total employee benefit expenses for the period was approximately HK$8.2 million (2017: approximately HK$7.5 million). 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 2018, 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 appointments 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 comprises 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 the accounting principles and practices adopted by the Company and discussed financial reporting matters, including a review and approval of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, 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 Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

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.

NOMINATION COMMITTEE

The Nomination Committee of the Company 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 Nomination 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 six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.irasia.com/listco/hk/cii810). The Company's Interim Report for the six months ended 30 June 2018 will be dispatched to the shareholders of the Company and published on the above websites in due course.

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.

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

Date: Hong Kong, 27 August 2018

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.