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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 SIX MONTHS ENDED 30 JUNE 2020**

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 2020, with comparative figures for the corresponding periods in 2019. These unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gross proceeds from operations	4	<u>36,764</u>	<u>17,736</u>
Revenue			
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)		384	1,504
Interest income from unlisted equity-linked note at FVTPL		133	—
Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”)		<u>43</u>	<u>172</u>
Total revenue		<u>560</u>	<u>1,676</u>

	Notes	Six months ended 30 June	
		2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Net fair value change on financial assets at FVTPL		(15,878)	(1,427)
Other income	5	254	89
Other net losses	6	(73)	(468)
Administrative expenses		(13,563)	(13,310)
Other operating expenses		(584)	(591)
Share of results of associates		(21)	—
Loss from operations		(29,305)	(14,031)
Finance costs	7	(32)	(40)
Loss before income tax		(29,337)	(14,071)
Income tax expense	8	—	—
Loss for the period	9	<u>(29,337)</u>	<u>(14,071)</u>
Loss for the period attributable to owners of the Company		<u>(29,337)</u>	<u>(14,071)</u>
Loss per share attributable to owners of the Company			
— Basic and diluted (HK cents)	10	<u>(3.11)</u>	<u>(2.04)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(29,337)</u>	<u>(14,071)</u>
Other comprehensive (expense) income for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of a foreign operation	(23)	(32)
Fair value (loss) gain on debt instrument at FVTOCI	(72)	164
Release of FVTOCI reserve upon disposal of debt instruments at FVTOCI	<u>—</u>	<u>544</u>
Other comprehensive (expense) income for the period, net of income tax	<u>(95)</u>	<u>676</u>
Total comprehensive expense for the period	<u><u>(29,432)</u></u>	<u><u>(13,395)</u></u>
Total comprehensive expense for the period attributable to owners of the Company	<u><u>(29,432)</u></u>	<u><u>(13,395)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	11	10,704	11,150
Intangible asset	12	—	120
Debt instrument at FVTOCI	13	1,747	1,724
Financial assets at FVTPL	14	46,891	63,353
Interests in associates		215	236
		<u>59,557</u>	<u>76,583</u>
Current assets			
Financial assets at FVTPL	14	28,685	35,872
Other receivables and deposits and prepayments		2,109	2,354
Cash and bank balances		20,460	24,766
		<u>51,254</u>	<u>62,992</u>
Total assets		<u>110,811</u>	<u>139,575</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	94,282	94,282
Reserves		5,148	34,580
Total equity		<u>99,430</u>	<u>128,862</u>
LIABILITIES			
Current liabilities			
Accruals		8,972	8,057
Secured bank loan		2,409	2,656
		<u>11,381</u>	<u>10,713</u>
Total equity and liabilities		<u>110,811</u>	<u>139,575</u>
Net current assets		<u>39,873</u>	<u>52,279</u>
Total assets less current liabilities		<u>99,430</u>	<u>128,862</u>
Net asset value per share	17	<u>0.11</u>	<u>0.14</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the disclosure requirements of 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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 And HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods nor on the disclosures set out in these condensed consolidated financial statements.

2.1 Impact of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

2.2.1 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under ‘other income’.

3. SEGMENT INFORMATION

The Group’s principal activity is investment in equity and debt instruments. For the purpose of resources allocation and assessment of performance, the management regularly reviews and manages the Group’s investments on a portfolio basis. Information is regularly provided to the management and mainly includes fair value of respective investees and the related investment income. Therefore, no segment information is presented other than entity-wide disclosures.

The Group’s revenue is generated from operations in Hong Kong. The Group’s non-current assets (excluding debt instrument at FVTOCI, financial assets at FVTPL and interests in associates) are located in Hong Kong.

4. GROSS PROCEEDS FROM OPERATIONS

Gross proceeds represent investment income of the Group and the gross proceeds from disposal of financial assets at FVTPL, as follows:

	Six months ended 30 June	
	2020	2019
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Gross proceeds from disposal of financial assets at FVTPL	36,204	16,060
Dividend income from financial assets at FVTPL	384	1,504
Interest income from unlisted equity-linked note at FVTPL	133	—
Interest income from debt instrument at FVTOCI	43	172
	36,764	17,736

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	29	89
Government grants	225	—
	<u>254</u>	<u>89</u>

During the current interim period, the Group recognised government grants of about HK\$225,000 in respect of COVID-19 related subsidies, of which about HK\$166,000 related to Employment Support Scheme provided by the Hong Kong Government.

6. OTHER NET LOSSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of intangible asset (<i>note 12</i>)	(120)	—
Exchange gain	72	76
Loss on disposal of debt instruments at FVTOCI	—	(544)
Loss on disposal of property and equipment	(25)	—
	<u>(73)</u>	<u>(468)</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on a secured bank loan	(32)	(40)

8. INCOME TAX EXPENSE

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The Group's loss for the period is arrived after charging (crediting):		
Depreciation	464	595
Donation	46	165
Staff costs:		
Employee benefits expense:		
Directors' emoluments	1,538	1,515
Salaries, allowances and other benefits	7,336	6,478
Mandatory provident fund contributions	137	176
	<u>9,011</u>	<u>8,169</u>
Custody services fees (<i>note</i>)	19	33
Investment management fees (<i>note</i>)	300	300
Bank interest income	(29)	(89)

Note: They were de-minimis continuing connected transactions of the Company under Rule 14A.73(1) of the Listing Rules.

10. 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\$29,337,000 (six months ended 30 June 2019: loss of approximately HK\$14,071,000) and the weighted average number of ordinary shares of about 942,822,000 ordinary shares (six months ended 30 June 2019: about 688,363,000 ordinary shares).

The Company had 15,600,000 outstanding share options as at 30 June 2020. The computation of diluted loss per share for both periods did not assume the exercise of share options because the adjusted exercise prices of those options were higher than the average market price for shares in that period.

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group's property and equipment amounted to approximately HK\$10,704,000 (31 December 2019: HK\$11,150,000). During the six months ended 30 June 2020, the Group disposed of certain office equipment and furnitures with an aggregate carrying amount of HK\$25,000 (six months ended 30 June 2019: Nil), resulting in a disposal loss of HK\$25,000 (six months ended 30 June 2019: Nil). In addition, the capital expenditure for six months ended 30 June 2020 was approximately HK\$44,000 (six months ended 30 June 2019: HK\$769,000).

12. INTANGIBLE ASSET

At at 30 June 2020, the Group's intangible asset was a club membership, which could allow the members, and its nominees to enjoy certain discount privileges when dining at the designated restaurants after paying monthly subscription fees.

	HK\$'000 (Unaudited)
Cost	
As at 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	120
Accumulated impairment	
As at 1 January 2019, 31 December 2019 and 1 January 2020	—
Impairment	120
As at 30 June 2020	120
Carrying amount	
As at 30 June 2020	—
As at 31 December 2019	120

During the current interim period, the Group performed impairment testing and recognised impairment loss of HK\$120,000.

13. DEBT INSTRUMENT AT FVTOCI

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Listed debt security		
— Hong Kong	1,747	1,724

The above investment is denominated in United States Dollars. As at 30 June 2020, the listed debt security will mature beyond one year (30 June 2019: beyond one year) after the end of reporting date.

14. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Listed equity securities		
— Hong Kong	72,936	91,029
— Australia	—	188
Unlisted equity-linked notes	2,640	8,008
	75,576	99,225

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Analysed for reporting purposes, as:		
Current assets	28,685	35,872
Non-current assets	46,891	63,353
	<u>75,576</u>	<u>99,225</u>

Fair values of listed equity securities in Hong Kong are primarily based on their quoted bid prices in active markets, while that in Australia as at 31 December 2019 was primarily based on the Group's own assumptions about the market exit value.

The unlisted equity-linked notes are typically subject to knockout and a maximum tenor of 9 months and linked to a basket of Hong Kong stocks. The unlisted equity-linked notes carry interest at certain agreed annual rates and could only be redeemed by the issuers at the specific observation dates. The equity-linked notes contain terms enabling the issuer either to deliver the underlying equity securities on maturity if the market price of the worst performing underlying security were lower than its respective pre-determined reference stock prices or cash settlement of the principal and interest if the market prices of the underlying securities were higher than their respective pre-determined reference stock prices on each observation date. The exercise price was set at discount of about 10% to 15.87% to the initial spot price of the underlying stocks in the basket. Fair values of unlisted equity-linked notes are determined using a valuation technique that is classified as Level 3 in the fair value hierarchy. As at 30 June 2020, the fair value of the unlisted equity-linked note was determined by Colliers International (Hong Kong) Limited, an independent professional valuer engaged by the Company.

15. SHARE CAPITAL

	Number of ordinary shares '000 (Unaudited)	Nominal value of ordinary shares HK\$'000 (Unaudited)
Authorised:		
As at 1 January 2019, 30 June 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited) at HK\$0.10 each	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:		
As at 1 January 2019	655,122	65,512
Placement of new shares in May 2019 (<i>note a</i>)	<u>130,800</u>	<u>13,080</u>
As at 30 June 2019	785,922	78,592
Placement of new shares in December 2019 (<i>note b</i>)	<u>156,900</u>	<u>15,690</u>
As at 31 December 2019 (audited) and 1 January 2020 and 30 June 2020 (unaudited)	<u>942,822</u>	<u>94,282</u>

Notes:

- a. In May 2019, the Company issued a total of 130,800,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.155 each. Further details were mainly set out in the announcements dated 17 April 2019, 15 May 2019 and 10 August 2020.
- b. In December 2019, the Company issued a total of 156,900,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.105 each. Further details were mainly set out in the announcements dated 27 November 2019, 19 December 2019 and 10 August 2020.

16. DISPOSAL OF A SUBSIDIARY

During the current interim period, the Group entered into a sale agreement to dispose of its 100% equity interest in Marvel Pacific Limited (“Marvel Pacific”) at a consideration of AUD70,000 (equivalent to HK\$399,000). Marvel Pacific held the Group’s listed equity securities investment in Australia. Upon completion of the disposal, Marvel Pacific ceased to be a subsidiary of the Company.

Analysis of net asset at the date of disposal was set out as follows:

	Six months ended 30 June 2020 HK\$’000 (Unaudited)
Financial assets at FVTPL	399
Total consideration	399
Net cash outflow arising on disposal of a subsidiary:	
Total cash consideration received	399

17. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the Group’s net assets of approximately HK\$99,430,000 (31 December 2019: HK\$128,862,000) and approximately 942,822,000 (31 December 2019: 942,822,000) ordinary shares of HK\$0.10 each in issue as at 30 June 2020. The net asset value per share as at 30 June 2020 was HK\$0.11 (31 December 2019: HK\$0.14).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

KEY PERFORMANCE INDICATOR

As at 30 June 2020, the Group's net asset value, being the net value of total assets less liabilities, decreased to be about HK\$99.4 million (31 December 2019: HK\$128.9 million). It was mainly attributable to the operating loss from operations of about HK\$29.3 million for the period. Net asset value per share was HK\$0.11 (31 December 2019: HK\$0.14).

INVESTMENT PORTFOLIO REVIEW

As at 30 June 2020, the Group's investment portfolio value amounted to about HK\$77.3 million (31 December 2019: about HK\$100.9 million) and the non-current portion was about HK\$48.6 million (31 December 2019: about HK\$65.1 million).

Financial assets at fair value through profit or loss ("FVTPL")

The financial assets at FVTPL comprised listed equities of about HK\$72.9 million (31 December 2019: HK\$91.2 million) and short-term unlisted equity-linked note of about HK\$2.6 million (31 December 2019: HK\$8 million). The current and the non-current portions of listed equities were HK\$26.0 million and HK\$46.9 million (31 December 2019: HK\$27.9 million and HK\$63.3 million), respectively.

Listed debt instrument at fair value through other comprehensive income ("FVTOCI")

As at 30 June 2020, the listed debt instrument at FVTOCI amounted to HK\$1.8 million (31 December 2019: HK\$1.7 million) and was classified as non-current assets.

REVIEW OF OPERATIONS

Market review

The year 2020 is an unprecedented, challenging and difficult year for global investment markets. The nature, scale and pervasiveness of the coronavirus pandemic dramatically affected the global macroeconomic environment. The economic disruption caused by COVID-19, together with the worsened economic outlook, weighed on corporate earnings. Recession fears heightened and significant uncertainties existed in the capital market.

According to the Research Paper No. 67: Half-yearly Review of the Global and Local Securities Markets issued by the Securities and Futures Commission, during the first half of 2020, the Dow Jones Index and S&P 500 Index fell 9.6% and 4.0% respectively whilst the Nasdaq Index rose 12.1%. Major U.S. indices once reached record highs in February 2020 but corrected sharply in March 2020. The market-wide circuit breaker was triggered

four times. The market rebounded from the trough in March 2020 because of the stimulus measures and the gradual reopening of the economy. In particular, technology stocks outperformed due to increased demand for online services during lockdowns.

In China, the Shanghai Composite Index (SHCOMP) fell 2.1% whilst the Shenzhen Composite Index rose 14.7%. The decline in the SHCOMP was moderate compared to overseas markets thanks to an early government effort to mitigate the impact of the pandemic. The Shenzhen market outperformed as technology stocks advanced.

Turning to the Hong Kong stock market, it declined on heightened local political uncertainties and a worsened economic outlook. The rapid spread of COVID-19 and the imposition of lockdown measures affected corporate earnings. Tensions between China and the United States, together with the oil price volatility, adversely affected investor sentiment. Fortunately, fiscal stimulus and monetary easing by governments and central banks provided support.

Revenue

During the six-month period, the gross proceeds from disposal of investments and investment income amounted to about HK\$36.8 million (2019: HK\$17.7 million), representing an increase of about 107.3%.

The Group's revenue of about HK\$0.6 million (2019: HK\$1.7 million) comprised of dividend income from listed securities of about HK\$0.4 million (2019: HK\$1.5 million), interest income from unlisted equity-linked notes of about HK\$0.1 million (2019: Nil) and interest income from listed debt securities of about HK\$0.1 million (2019: HK\$0.2 million). The decrease of dividend income from listed equities was partly caused by the lower dividend payments received from the investees in our portfolio. The listed bond interest income decreased because of the lower investment in listed debt instruments.

Loss from operations

Owing to the outbreak of COVID-19, Hang Seng Index had seen significant fluctuations and dropped sharply from the peak level of 29,000 points in January 2020 to the bottom of about 21,600 points within two months in March 2020. The Hang Seng Index and Hang Seng China Enterprises Index fell 13.4% and 12.6% respectively for the six months period. Many nations had adopted lockdown and quarantine policies and the business activities of certain investees of the Group had been influenced significantly. In such pessimistic market environment, the performance of Group's listed equities was unsatisfactory. The Group suffered from the net fair value loss on the equity portfolio of about HK\$15.9 million (2019: HK\$1.4 million) and the loss from operations for the period was about HK\$29.3 million (2019: HK\$14.1 million).

Other income mainly represented bank interest income of HK\$29,000 (2019: HK\$89,000) and government grants of HK\$225,000 (2019: Nil). The other net losses of about HK\$73,000 mainly represented an impairment loss in respect of intangible asset of HK\$120,000 (2019: Nil). The loss of HK\$468,000 in prior period represented the amount released from the FVTOCI reserve upon disposal of the listed debt instruments.

Administrative expenses of HK\$13.6 million (2019: HK\$13.3 million) mainly comprised employment benefit expenses of about HK\$9.0 million (2019: HK\$8.2 million). Other operating expenses and finance costs, which represented the mortgage interest on office premise, were comparable to the corresponding figures in prior period.

Interests in associates

They represented our interests in the 30% shareholding of Superb Kingdom Limited and its subsidiaries and the 29% shareholding of CII Capital Limited (“CII Capital”), respectively. The former had no carrying value and CII Capital was inactive during the period. Both of them are insignificant to the balance sheet as at the reporting date.

PROSPECTS

Looking ahead, the Hong Kong market encounters great uncertainties. Firstly, the high levels of geopolitical risk in certain markets are expected to have economic impacts. U.S.-China relations continued to be under pressure, heightened by the passing of the Hong Kong national security law and the U.S. Hong Kong Autonomy Act. The United States also revoked Hong Kong’s special trade status. Investors were concerned that the first phase trade deal might be derailed. In addition, the conflict between the two countries over the technology industry remains unresolved. There are also concerns that tensions may escalate and likely affect investor sentiment in the Hong Kong market. Investor confidence has been fragile because of the negative impact on the local economy including on consumer and tourist spending.

Valuation concerns at the U.S. stock markets continue to weigh on the market due to expected declines in earnings and the high price-to-earnings ratio of the S&P. Although the U.S. market has rebounded significantly from the trough in March 2020, there are concerns about the sustainability of the rally and the risk of another correction increases. In the event of a sharp downturn, the Hong Kong market would also be affected.

During the first half of 2020, the decline in the China market has been relatively moderate amidst optimism over supportive measures from the government to mitigate the negative impact of the pandemic. This has been an important factor supporting the Hong Kong market.

In July 2020, Hang Seng TECH Index, a new index focused on China’s technology giants, has been set to give investors greater access to their growing dominance in Hong Kong’s market. This new index tracks the 30 largest tech companies listed in Hong Kong

and includes the influential players Tencent Holdings Ltd, Alibaba Group Holding Ltd, Meituan Dianping, and Xiaomi Corporation in the new economy sector. Following the secondary listings of NetEase Inc. and JD.com Inc., further listings of major Chinese technology firms are forthcoming, such as Ant Group. Listing in Hong Kong has also become a good option as tensions between U.S. and China threaten to curtail Chinese companies' access to U.S. capital markets.

The tech index can better reflect the outperformance of the technology companies that have emerged as big winners in the Hong Kong stock market. This index is anticipated to attract investors to other Hong Kong tech stocks, facilitate the issuance of index-linked funds and derivatives as well as boost turnover at Hong Kong Exchanges & Clearing Ltd. In addition, strong China inflows through stock connect links further supported the Chinese technology shares and they have emerged as the winners in Hong Kong up to now this year. The Hang Seng Index, on the other hand, has underperformed, with half of its constituents down by considerable percentages.

The asset class of equity has been chosen as our core investment and the main drivers of equity return are capital appreciation and dividend income. To meet our investment objective, listed securities and equity-linked notes are managed and regularly reviewed on a portfolio basis. Regarding listed equities, the buy-and-hold strategy and short-term trading tactics are used together, to enhance the investment returns. In response to the high market volatility and the market favor towards technology stocks, we have taken proactive but prudent measures including tactical asset allocation and short-term trading. Momentum and reversal trading strategies are also employed together with the use of various exit methodologies which combine price targets and stop orders. Breadth, is typically defined as the number of independent investment opportunities, over a given period, and this is one of the key drivers under the Fundamental Law of Active Return. By increasing the level of breadth, we strive to achieve a higher returns from the short-term trading strategy.

Equity-linked notes are invested to earn a higher expected interest income and they can provide a way to buy the underlying equities at strike prices which are typically below the respective prevailing market prices at the time of entering into the notes. However, in a deep downward market, the strike prices might be considerably higher than the prevailing market prices at the time of exercise. In view of the high market volatility, we have used this kind of instrument sparingly with an overall position sizing limit to be determined by the Investment Manager, when needed.

Investment in unlisted equities is reviewed on an investment-by-investment basis and can typically provide a high return if there is a successful exit. Although this kind of alternative investment can increase the expected return in our portfolio of listed equities, it is also characterized by its illiquidity, option-like return patterns and its returns tending to be low or negative during a drawdown period and high in later years. We would implement stringent due diligence procedures and carefully explore the pre-IPO opportunities and other private equity investments in the new economy sector and biotech sector.

In view of the significant uncertainties arising from the COVID-19 pandemic, we will continue our prudent but proactive investment strategies and monitor the liquidity risk cautiously. A higher percentage of Company's assets will be held in cash or liquid securities if necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Resources and Liquidity

As at 30 June 2020, the cash and bank balances amounted to approximately HK\$20.5 million (31 December 2019: HK\$24.8 million) and the net current assets amounted to approximately HK\$39.9 million (31 December 2019: HK\$52.3 million). The drop in cash and bank balances and the net current assets was primarily attributable to the use for the working capital and investments.

As at 30 June 2020, the Group had no capital commitment (31 December 2019: Nil).

Gearing Ratio

As at 30 June 2020, the Group maintained a low level of gearing ratio of 2.4% (as defined by total borrowings divided by total equity) (31 December 2019: 2.1%).

Use of Proceeds

At the beginning of the current interim period, there existed net proceeds of about HK\$16 million brought forward from the issue of new shares made in December 2019. Details of which are set out in the Company's announcements dated 27 November 2019 and 19 December 2019 in relation to the placing of 156,900,000 new shares in the share capital of the Company at the placing price of HK\$0.105 per share in December 2019. During the period, such net proceeds were used as below:

Net proceeds brought forward at the beginning of the period	Intended uses	Actual usage during the period ended 30 June 2020	Remaining balance as at 30 June 2020
HK\$16.0 million	General working capital and/or potential investments to be identified	Fully utilized as intended, including (i) as to approximately HK\$11.7 million for investment in listed equities and an unlisted equity-linked note; and (ii) the balance as general working capital	Nil

Property and Equipment

As at 30 June 2020, property and equipment amounted to approximately HK\$10,704,000 (31 December 2019: HK\$11,150,000). During the six months ended 30 June 2020, the Group disposed of certain equipment and furnitures with an aggregate carrying amount of HK\$25,000, resulting in a disposal loss of HK\$25,000 (six months ended 30 June 2019: nil). In addition, the capital expenditure for the six months ended 30 June 2020 was approximately HK\$44,000 (six months ended 30 June 2019: HK\$760,000).

Material Acquisition and Disposal

During the period, an investment-holding subsidiary was disposed of at the consideration of AUD70,000 (equivalent to HK\$399,000), by reference to the underlying value of the investment being held. Save for that transaction, there was no material acquisition or disposal of subsidiaries by the Group.

Share Option Scheme

During the period, no share options had been granted, exercised, cancelled and lapsed and there are 15,600,000 shares options outstanding as at 30 June 2020.

Exposure to Foreign Exchange

The investment portfolio primarily comprised listed equities in Hong Kong stock market and debt securities, and cash and bank balances comprised bank balances, cash and short-term deposit held by the Group. Majority of them were denominated in Hong Kong dollars or United States dollars, and the exposure to RMB was considered to be insignificant. Thus, it is considered that the Group had no significant exposure to foreign exchange fluctuation at the balance sheet date.

Capital Structure

As at 30 June 2020, the Company's total number of issued shares was 942,821,250 (31 December 2019: 942,821,250 shares).

Pledge of the Group's Assets

As at 30 June 2020, the office premises with a carrying amount of HK\$10.1 million (31 December 2019: HK\$10.4 million) was pledged for an instalment loan.

Human Resources

As at 30 June 2020, the number of employees of the Company was 18 (31 December 2019: 18), excluding the directors of the Company and, their remuneration packages, determined on the basis of performance and experience of each individual, have been in line with the prevailing market practices.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and implementing a high standard of corporate governance and recognizes 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 2020, 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 endeavour 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 of the Company was established with its written terms of reference formulated in accordance with the requirements of the Listing Rules. 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 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 2020.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established 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 currently 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 period ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2020, 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.

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

Hong Kong, 26 August 2020

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.