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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 2021**

**RESULTS**

The Board of Directors (the “Board”) of China Internet Investment Finance Holdings Limited (“the Company”) announced the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021, with comparative figures for the corresponding period in 2020. These condensed consolidated interim financial statements have not been audited, but have been reviewed by RSM Hong Kong, 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, the Audit Committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2021*

	Note	Six months ended 30 June	
		2021	2020
		HKS’000	HK\$’000
		(Unaudited)	(Unaudited)
Gross proceeds from operations	4	<u>118,943</u>	<u>36,764</u>
Revenue			
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)		242	384
Interest income from debt instrument at fair value through other comprehensive income (“FVTOCI”)		13	43
Interest income from financial assets at FVTPL		—	133
Total revenue		<u>255</u>	<u>560</u>

	Note	Six months ended 30 June	
		2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Net gains/(losses) on financial assets at FVTPL		3,871	(15,878)
Other income	5	1	254
Other gains and losses	6	(15)	(73)
Administrative expenses		(11,296)	(13,563)
Other operating expenses		(693)	(584)
Share of results of associates		(22)	(21)
		<u>(8,154)</u>	<u>(29,865)</u>
Loss from operations		(7,899)	(29,305)
Finance costs		(26)	(32)
Loss before tax		(7,925)	(29,337)
Income tax expense	7	—	—
Loss for the period	8	<u>(7,925)</u>	<u>(29,337)</u>
Loss for the period attributable to owners of the Company		<u>(7,925)</u>	<u>(29,337)</u>
Loss per share attributable to owners of the Company	10		(Restated)
— Basic (HK cents)		(7.04)	(26.06)
— Diluted (HK cents)		<u>(7.04)</u>	<u>(26.06)</u>

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

*For the six months ended 30 June 2021*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period	<u>(7,925)</u>	<u>(29,337)</u>
Other comprehensive income/(loss) for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(7)	(23)
Fair value gain/(loss) on debt instrument at FVTOCI	1	(72)
Release of FVTOCI reserve upon disposal of debt instrument	<u>25</u>	<u>—</u>
Other comprehensive income/(loss) for the period, net of tax	<u>19</u>	<u>(95)</u>
Total comprehensive loss for the period	<u><u>(7,906)</u></u>	<u><u>(29,432)</u></u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>	<u><u>(7,906)</u></u>	<u><u>(29,432)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

	Note	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,860	10,282
Debt instrument at FVTOCI	11	—	1,745
Financial assets at FVTPL	12	38,769	33,480
Interests in associates		—	480
		<b>48,629</b>	<b>45,987</b>
<b>Current assets</b>			
Financial assets at FVTPL	12	19,245	26,776
Other receivables, prepayments and deposits		1,507	4,395
Cash and bank balances	14	36,298	18,379
		<b>57,050</b>	<b>49,550</b>
<b>Total assets</b>		<b>105,679</b>	<b>95,537</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	943	94,282
Reserves		84,235	(9,395)
<b>Total equity</b>		<b>85,178</b>	<b>84,887</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals	15	18,594	8,490
Secured bank loan		1,907	2,160
		<b>20,501</b>	<b>10,650</b>
<b>Total equity and liabilities</b>		<b>105,679</b>	<b>95,537</b>
<b>Net current assets</b>		<b>36,549</b>	<b>38,900</b>
<b>Net assets</b>		<b>85,178</b>	<b>84,887</b>
<b>Net asset value per share (HK\$)</b>	18	<b>0.82</b>	<b>(Restated) 0.90</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

These condensed 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”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group’s financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

## 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 gross proceeds from the disposal of financial assets at FVTPL, as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gross proceeds from disposal of financial assets at FVTPL	118,688	36,204
Dividend income from financial assets at FVTPL	242	384
Interest income from debt instrument at FVTOCI	13	43
Interest income from financial assets at FVTPL	—	133
	<u>118,943</u>	<u>36,764</u>

#### 5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1	29
Government grants ( <i>Note</i> )	—	225
	<u>1</u>	<u>254</u>

*Note:* During the six months ended 30 June 2020, the Group recognised government grants of approximately 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 GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on disposal of debt instrument at FVTOCI	(25)	—
Impairment loss on intangible asset	—	(120)
Exchange gain	10	72
Loss on disposal of property, plant and equipment	—	(25)
	<u>(15)</u>	<u>(73)</u>

## 7. INCOME TAX EXPENSE

No provision for income tax expense has been made in the unaudited condensed consolidated interim financial statements as there is no estimated assessable profit for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The Group's loss for the period is stated after charging the following:		
Depreciation	422	464
Donation	45	46
Staff costs:		
Employee benefit expenses:		
Directors' emoluments	1,613	1,538
Salaries, allowances and other benefits	5,697	7,336
Mandatory provident fund contributions	154	137
	<u>7,464</u>	<u>9,011</u>
Custody service fees ( <i>Note</i> )	43	19
Investment management fees ( <i>Note</i> )	235	300

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

## 9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2020: Nil).

## 10. LOSS PER SHARE

### Basic 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\$7,925,000 (six months ended 30 June 2020: HK\$29,337,000) and the weighted average number of ordinary shares of 112,561,313 (six months ended 30 June 2020 (restated): 112,561,313) after adjusting the effect of Share Consolidation on 17 March 2021 and Rights Issue on 9 July 2021.

Basic loss per share for the six months ended 30 June 2020 has been adjusted retrospectively to reflect the effect of Share Consolidation on 17 March 2021 and Rights Issue on 9 July 2021. Details of the Share Consolidation and Rights Issue are set out in Notes 16 and 19 respectively.

### Diluted loss per share

There were no dilutive potential ordinary shares for the Company's outstanding share options. Diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2021 and 2020.

## 11. DEBT INSTRUMENT AT FVTOCI

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Listed debt security		
— Hong Kong	—	1,745

## 12. FINANCIAL ASSETS AT FVTPL

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Listed equity securities		
— Hong Kong	<b>58,014</b>	60,256
Analysed for reporting purposes, as:		
Current assets	<b>19,245</b>	26,776
Non-current assets	<b>38,769</b>	33,480
	<b>58,014</b>	60,256

The fair values of listed equity securities in Hong Kong are primarily based on quoted market prices.

### 13. DISPOSAL OF AN ASSOCIATE

During the six months ended 30 June 2021, the Group disposed of the 29% equity interest in CII Capital Limited to a third party at a consideration of HK\$458,000. The disposal was completed on 20 April 2021. Before the disposal, the investment was previously accounted for as an investment in an associate using the equity method of accounting. There was no material gain or loss on the disposal.

	HK\$'000 (Unaudited)
Proceeds from disposal	458
Less: carrying value of 29% equity interest in CII Capital Limited on the date of loss of significant influence	<u>(458)</u>
Gain or loss on disposal	<u>—</u>

### 14. CASH AND BANK BALANCES

As at 30 June 2021, cash and bank balances included (a) an amount of approximately HK\$10,533,000 representing the proceeds received from over-subscription of Rights Issue that would be refunded to the unsuccessful applicants and (b) an amount of approximately HK\$9,428,000 representing the gross proceeds received from Rights Issue, which was completed on 9 July 2021. Details are set out in Notes 15 and 17 respectively.

### 15. OTHER PAYABLES AND ACCRUALS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Other payables		
— Refundable proceeds from over-subscription of Rights Issue ( <i>Note</i> )	10,533	—
Accrued expenses	<u>8,061</u>	<u>8,490</u>
	<u>18,594</u>	<u>8,490</u>

*Note:* As disclosed in Note 14, there was an amount of approximately HK\$10,533,000 representing the proceeds received from over-subscription of Rights Issue that would be refunded to the unsuccessful applicants.

## 16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each '000	Number of ordinary shares of HK\$1 each '000	Number of ordinary shares of HK\$0.01 each '000	Par value HK\$'000
<b>Authorised:</b>				
As at 1 January 2020, 31 December 2020 and 1 January 2021	2,000,000	—	—	200,000
Share consolidation ( <i>Note (i)</i> )	(2,000,000)	200,000	—	—
Capital reduction ( <i>Note (ii)</i> )	—	(200,000)	200,000	(198,000)
Capital increase ( <i>Note (iii)</i> )	—	—	19,800,000	198,000
	<u>—</u>	<u>—</u>	<u>19,800,000</u>	<u>198,000</u>
<b>As at 30 June 2021</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>20,000,000</u></b>	<b><u>200,000</u></b>
<b>Issued and fully paid:</b>				
As at 1 January 2020, 31 December 2020 and 1 January 2021	942,822	—	—	94,282
Share consolidation ( <i>Note (i)</i> )	(942,822)	94,282	—	—
Capital reduction ( <i>Note (ii)</i> )	—	(94,282)	94,282	(93,339)
	<u>—</u>	<u>—</u>	<u>94,282</u>	<u>(93,339)</u>
<b>As at 30 June 2021</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>94,282</u></b>	<b><u>943</u></b>

*Notes:* Pursuant to a special resolution of the Company passed on 15 March 2021, a capital reorganisation was approved with effect from 17 March 2021. Details of the capital reorganisation are set out in the Company's circular dated 18 February 2021 and the Company's announcement dated 15 March 2021. It comprised the following changes to the capital structure:

(i) Share Consolidation

Every ten issued and unissued shares of par value of HK\$0.10 each in the share capital of the Company were consolidated into one share of par value of HK\$1.00 each.

(ii) Capital Reduction

The par value of all the then issued and unissued share capital was reduced from HK\$1.00 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.99 on each of all the then consolidated shares. The issued and fully paid capital was thus reduced by approximately HK\$93,339,000 represented by the multiplication of approximately 94,282,000 shares and HK\$0.99.

(iii) Authorised Capital Increase

The authorised share capital of the Company was then increased from HK\$2,000,000 divided into 200,000,000 shares of par value of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 shares of par value of HK\$0.01 each.

## 17. NET PROCEEDS FROM RIGHTS ISSUE

Gross proceeds from Rights Issue received in advance net of expenses are analysed as below:

	HK\$'000
Gross proceeds from Rights Issue	9,428
Expenses paid and payable	<u>(1,231)</u>
Increase in other reserve for the period	<u><u>8,197</u></u>

On 20 May 2021, the Company proposed to implement the Rights Issue on the basis of one rights share for every two existing shares at the subscription price of HK\$0.2 per rights share (the “Rights Issue”). In June 2021, the Company received gross proceeds of approximately HK\$9,428,000 from Rights Issue subscribers. The underwriting agreement dated 20 May 2021 entered into between the Company and the underwriter was not terminated and became unconditional on 5 July 2021. As at 30 June 2021, the gross proceeds net of expenses paid and payable of approximately HK\$1,231,000 were presented as equity of the Company and included in other reserve and would be transferred to share capital when the Rights Issue was completed on 9 July 2021. Details of the results of Rights Issue are set out in the announcement of the Company dated 9 July 2021.

## 18. 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 adjusted net assets of approximately HK\$76,981,000, which represented the Group’s net assets of approximately HK\$85,178,000 excluding the other reserve of approximately HK\$8,197,000 (31 December 2020: HK\$84,887,000) and approximately 94,282,000 ordinary shares of HK\$0.01 each in issue as at 30 June 2021 (31 December 2020 (restated): 94,282,200 ordinary shares, as adjusted to reflect the Share Consolidation on 17 March 2021).

## 19. EVENTS AFTER THE REPORTING PERIOD

As disclosed in Note 17, the Rights Issue was completed on 9 July 2021 and 47,141,062 rights shares were issued. The gross proceeds raised from the Rights Issue of approximately HK\$9,428,000 before expenses were received in advance as at 30 June 2021 and details of which are set out in Note 17.

As a result of the Rights Issue, adjustments have been made to the exercise price and the number of shares falling to be allocated and issued in respect of the outstanding share options in accordance with the terms of the share option scheme adopted on 31 July 2012. The exercise price and number of shares that could be subscribed for under the outstanding share options had been adjusted with effect from 12 July 2021.

Details of the Rights Issue were set out in the prospectus of the Company dated 16 June 2021 and the announcements of the Company dated 20 May 2021 and 9 July 2021.

## **CHAIRMAN'S STATEMENT**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2021 (2020: Nil).

### **KEY PERFORMANCE INDICATOR**

As at 30 June 2021, the Group's net asset value stayed at the comparable level of about HK\$85.2 million as at 30 June 2021 (31 December 2020: HK\$84.9 million). Although there was operating loss suffered for the period of about HK\$7.9 million, this could be offset by the net proceeds received in advance from the Rights Issue of approximately HK\$8.2 million. Such proceeds received in advance increased other reserve in the Company's equity. The net asset value per share was HK\$0.82 which was calculated on the adjusted net asset value of approximately HK\$77.0 million (based on the above net asset value excluding the net proceeds received in advance from the Rights Issue of approximately HK\$8.2 million) and was divided by 94,282,125 ordinary shares of HK\$0.01 each in issue as at 30 June 2021 to ensure consistency with the prevailing number of ordinary shares because the Rights Shares were issued after the period end date (31 December 2020: HK\$0.90, as adjusted to reflect the Share Consolidation in March 2021).

### **INVESTMENT PORTFOLIO REVIEW**

As at 30 June 2021, the Group's portfolio financial assets at fair value through profit or loss comprised listed equities and amounted to about HK\$58.0 million (31 December 2020: about HK\$60.3 million). During the period, there was a disposal of entire investment in debt instrument.

The current and the non-current portion of the listed equities portfolio were in the amount of about HK\$19.2 million and HK\$38.8 million respectively (31 December 2020: HK\$26.8 million and HK\$33.5 million).

The above current portion exhibited a drop of about HK\$7.6 million. Such decrease was partly attributed to the net disposals (represented by the difference of the disposals and purchases for the period) of the portfolio financial assets to finance the working capital used for the operations. Moreover, there were unrealised fair value losses of about HK\$3.1 million in relation to the equity investments on certain Hang Seng TECH index constituents. Whereas, the rise in non-current portion was mainly attributed to the unrealised fair value gain on our equity investment in China Oriented International Holdings Limited which was initially our pre-IPO investment and its share price rose about 33.7% in the six-month period. Nonetheless, the amount of purchases of non-current portfolio financial assets was similar to that of the disposals for the period.

## **REVIEW OF OPERATIONS**

### **Market review**

According to the Research Paper No. 69: Half-yearly Review of the Global and Local Securities Markets issued by the Securities and Futures Commission in August 2021, global stock markets advanced in the first half year of 2021. Sustained economic recovery was expected because of the large-scale fiscal stimulus measures, the accelerating rollouts of vaccines and the stabilising pandemic situation. Nevertheless, the inflation concerns caused worries over sooner-than-expected interest rate hikes. Valuation concerns also grew for the U.S. markets as their respective stock market indices gained significantly since mid-2018.

The China market also performed well because of the government policies to boost domestic consumption and support for small enterprises. However, investors were still cautious about the tightening measures in the property sector and the policies to contain fluctuations in the commodity prices.

In Hong Kong, at the beginning of the year, the Hang Seng Index recorded a 32-month high of over 31,000 points in February 2021 following the optimism about economic recovery. But it adjusted downward thereafter as pandemic risks still persisted because of the emergence of new variants of COVID-19 and the resurgence of inflections in certain parts of the world. Furthermore, inflation risks emerged and there were expectations of possible shift of monetary policies of major central banks. Thus, rate-sensitive technology stocks underperformed. Uncertainties on the relations between the Mainland China and the U.S. also affected the market sentiment. Consequently, the Hang Seng Index only rose by 5.9% for the first half of 2021.

### **Gross proceeds from operations**

The six-month gross proceeds from the disposal of investments and investment income increased from HK\$36.8 million to about HK\$118.9 million because of the greater short-term trading activities in listed equities. During the first half of 2021, trading in the local stock market was active and the Mainland stocks remained the most actively traded. The technology sector accounted for about 33% of total market capitalisation and 30% of total trading in Hong Kong. However, the technology sector was affected by the interest rate hike expectations and this significantly increased the volatility of technology stocks. In line with such market performance, the trading activities on technology stocks had been reduced since the second quarter of the year to control the equity price risk.

### **Revenue**

The Group's revenue of about HK\$255,000 (2020: HK\$560,000) mainly comprised dividend income from listed securities of about HK\$242,000 (2020: HK\$384,000). The decrease in dividend income from the listed equities was partly caused by the lower dividend payments received therefrom.

## **Loss from operations**

In the first half of 2021, the Hang Seng Index rose 5.9%. However, the Hang Seng Tech Index and China Enterprises Index dropped about 3.2% and 0.7% respectively. For the six months ended 30 June 2021, the loss from operations reduced to about HK\$7.9 million (2020: HK\$29.3 million).

## **Net gains/(losses) on financial assets at FVTPL**

In line with the market performance, there exhibited net gains on listed equities investment portfolio of approximately HK\$3.9 million (2020: losses of approximately HK\$15.9 million). This net gain on listed equities investment portfolio caused the significant decrease in operating loss.

## **Expenses**

Administrative expenses of about HK\$11.3 million (2020: HK\$13.6 million) mainly comprised employment benefit expenses of about HK\$7.5 million (2020: HK\$9.0 million). Other operating expenses mainly comprised the investment management fees to the Investment Manager of about HK\$235,000 (2020: HK\$300,000).

## **Interests in associates**

During the current period, the Group disposed of its entire equity interest in CII Capital Limited at a consideration HK\$458,000 to a third party and there was no material gain or loss arisen on the disposal. Prior to the date of disposal, the associated company had not yet commenced business but incurred numerous administrative costs and the share of such results was recorded accordingly. The disposal could ensure certain cost cutting. After the said disposal, the interests in associates represented our interests in the 30% shareholdings of Superb Kingdom Limited and its subsidiaries and it had no carrying value at the reporting date.

## **PROSPECTS**

In July 2021, the Hang Seng Index dropped from 28,827 to 25,961 points, and a majority of which was lost during 26 to 27 July with a substantial trading volume.

Regulatory risks have increased for Mainland companies and there were greater restrictions imposed in various areas by the Chinese regulatory authorities. The Cyberspace Administration of China announced a cybersecurity inspection on certain ride-hailing platforms in early July soon after the IPOs of a few concerned companies in the US. The “Measures for Cybersecurity Review” has already been in effect since 2020 aiming to ensure the security of critical information infrastructure and safeguard national security. Platform operators are now expected to act as gatekeepers to protect personal information.

Around the end of July, China implemented new rules barring after-school for-profit tutoring in core school subjects to ease financial pressures on families. The policy change also restricts foreign investment in the sector through mergers and acquisitions, franchises, or variable interest entity arrangements.

The market turns more cautious on the China Internet sector in view of rising regulatory risks. The accelerating regulatory actions on the education and internet sectors have exceeded market expectations both in scale and pace. The sharp spike in policy risk premium is expected to keep China Internet stocks volatile in the near future. Deep value may emerge in the China stocks after the latest sharp selloff.

To managing regulatory risk, we will consider mitigation strategies include diversification and differentiated positioning in sectors and companies that are more resilient, defensive and less exposed to consumer protection regulation. Possible opportunities in the short run include industrial automation and manufacturing upgrade, renewable energy and 5G-related industries.

Looking forward, China stocks have recently experienced heightened volatility on the back of regulatory changes in several key sectors, such as real estate, the internet and education. The regulatory environment in the PRC has become influential in affecting investor sentiment of the China internet sector, and education sector. However, the government's implementation of regulatory actions and policies can be viewed as a positive factor for China's long-term socio-economic development. For the internet sector, the regulations mainly deal with improving employee benefits, cybersecurity, and curbing monopolistic power. This can reduce the social risks and a control of the monopolistic tactics of internet platforms should also foster market competition and spur economic innovation in the long run.

Investors are also sensitive to news about rising inflation which may lead major central banks to scale-back stimulus measures. Valuation concerns persist as major overseas markets stay high after substantial gains exhibited in the first half of 2021. In addition, uncertainties about Sino-US relations may contribute to higher market volatility. In view of the heightened market volatility and mixed view of the market, we maintained our conservative but proactive approach. We also keep a higher cash level to preserve the liquidity. Thanks to the Company's recent implementation of capital consolidation and reorganisation, the capital structure of the Company has been streamlined to ensure greater flexibility in equity fund-raising. The Company's successful completion of Rights Issue in early July also enhanced our financial position to capture market opportunities, when available. Equity of the Company has been increased through the Rights Issue by approximately HK\$8,197,000 as at 30 June 2021 because all of the proceeds had been duly received.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial resources and liquidity

As at 30 June 2021, the cash and bank balances are analysed as below:

	HK\$' million
Per financial statements	36.3
which included:	
1. Rights Issue proceeds treated as part of equity in the amount of approximately HK\$9.4 million	
2. Rights Issue proceeds from over-subscription to be refunded after period end date	<u>(10.5)</u>
Useable cash and bank balances	<u><u>25.8</u></u>

The rise in useable cash and bank balances from about HK\$18.4 million to about HK\$25.8 million was mainly attributed to the receipt of the above Rights Issue proceeds that can be treated as part of equity. However, the net current assets dropped from about HK\$38.9 million to about HK\$36.5 million, given such a rise. It was attributed to the respective decreases in financial assets at FVTPL and other receivables, prepayments and deposits, mainly to finance the working capital for the operations. The decrease of the latter was mainly caused by the settlement of certain non-repetitive other receivables of about HK\$2.2 million and the actual utilisation of certain prepaid expenses.

As at 30 June 2021, the Group had no capital commitment (31 December 2020: Nil).

### Gearing ratio

As at 30 June 2021, the Group's gearing ratio was about 2.2% (31 December 2020: 2.5%).

### Property, plant and equipment

As at 30 June 2021, property, plant and equipment decreased from approximately HK\$10.3 million to approximately HK\$9.9 million and there was no addition for the period.

### Material acquisition and disposal

During the period, the Group disposed of its entire equity interest in an associated company to a third party at a consideration of HK\$458,000. Save for that transaction, there was no material acquisition or disposal of subsidiaries by the Group.

## Capital structure

To facilitate equity fund raising activities, the Company changed its capital structure in March 2021 and as at 30 June 2021, the authorised share capital of the Company was HK\$200,000,000 divided into 20,000,000,000 shares at par value of HK\$0.01 each while the number of issued and fully paid ordinary shares was 94,282,125 at par value of HK\$0.01 each.

### *Capital Reorganisation*

Details of the Capital Reorganisation are set out in the announcement dated 29 January 2021, circular dated 18 February 2021 and announcement dated 15 March 2021, respectively.

### *Rights Issue*

To increase the capital base, the Company implemented the Rights Issue on the basis of one Rights Share for every two existing shares at the subscription price of HK\$0.2 per Rights Share. Details of the Rights Issue are set out in the announcement dated 20 May 2021, prospectus dated 16 June 2021 and announcement dated 9 July 2021, respectively.

The Rights Issue was completed on 9 July 2021 and 47,141,062 Rights Shares were issued on 12 July 2021 and the total number of issued shares as at the date hereof is 141,423,187. The gross proceeds raised from the Rights Issue were approximately HK\$9,428,000.

### Share option scheme

Details of the adjustments to the exercise prices and numbers of the outstanding share options upon the completion of the above Capital Reorganisation in March 2021 are set out in the announcement dated 15 March 2021, and the key particulars are set out as follows:

Date of grant	Before the completion of Capital Reorganisation	After the completion of Capital Reorganisation		
	Number of outstanding Share Options	Exercise price per Share	Adjusted number of Share Options	Adjusted exercise price per Share
29 November 2018	7,800,000	HK\$0.241	780,000	HK\$2.41
16 September 2019	7,800,000	HK\$0.137	780,000	HK\$1.37
	<u>15,600,000</u>		<u>1,560,000</u>	

In the current period, no share options were granted, exercised, cancelled and lapsed and there were 1,560,000 share options outstanding as at 30 June 2021.

## **Exposure to foreign exchange**

The investment portfolio primarily comprised listed equities in Hong Kong stock market and cash and bank balances held by the Group. Majority of them were denominated in Hong Kong dollars or United States dollars. Thus, it is considered that the Group had no significant exposure to foreign exchange fluctuation existed as at 30 June 2021.

## **Pledge of Group's assets**

As at 30 June 2021, the office premises with a carrying amount of HK\$9.6 million (31 December 2020: HK\$9.9 million) was pledged for an instalment loan.

## **Human resources**

As at 30 June 2021, the number of employees of the Company was 23 (31 December 2020: 23). The remuneration packages for the employees and the directors are considered to be in line with the prevailing market practice and are determined on the basis of performance and experience.

## **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 2021, 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. The Company Secretary continues to use 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 currently consists of three independent non-executive Directors, namely, Mr. Tam Yuk Sang, Sammy, Dr. Ng Chi Yeung, Simon and Ms. Florence Ng. 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 of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021, which has also been reviewed by the Company's auditor, RSM Hong Kong, 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 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 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 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT 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 2021 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*

Hong Kong, 30 August 2021

*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.*