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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 ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**RESULTS**

The Board of Directors (the “Board”) of China Internet Investment Finance Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, with comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Gross proceeds from operations	4	<b>52,049</b>	95,601
Revenue	4	<b>3,974</b>	3,144
Net fair value change on financial assets at fair value through profit or loss		<b>(36,172)</b>	(22,165)
Other income		<b>14</b>	325
Other gain or (losses)	5	<b>(2,397)</b>	(1,779)
Administrative expenses		<b>(30,206)</b>	(26,293)
Other operating expenses		<b>(1,212)</b>	(1,282)
Loss from operations		<b>(65,999)</b>	(48,050)
Finance costs		<b>(379)</b>	(193)
Share of results of an associate		<b>(4,340)</b>	257
Impairment loss on interest in an associate		<b>(3,297)</b>	–
Loss before income tax	6	<b>(74,015)</b>	(47,986)
Income tax expenses	7	<b>–</b>	–
<b>Loss for the year</b>		<b>(74,015)</b>	(47,986)

	<i>Notes</i>	<b>2016</b> <b><i>HK\$'000</i></b>	2015 <i>HK\$'000</i> (Restated)
<b>Loss for the year attributable to the owners of the Company</b>		<b><u>(74,015)</u></b>	<b><u>(47,986)</u></b>
<b>Loss per share attributable to the owners of the Company</b>			
Basic (HK cents)		<b><u>(18.03)</u></b>	<b><u>(16.83)</u></b>
Diluted (HK cents)		<b><u>(18.03)</u></b>	<b><u>(16.83)</u></b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2016*

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
<b>Loss for the year</b>	<b><u>(74,015)</u></b>	<b><u>(47,986)</u></b>
<b>Other comprehensive (loss) income:</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Changes in fair value of available-for-sale financial assets	(1,600)	(1,882)
Reclassification of available-for-sale fair value reserve upon impairment loss recognised	2,024	220
Release of available-for-sale fair value reserve upon disposal	<u>(222)</u>	<u>1,876</u>
Other comprehensive income for the year, net of income tax	<u>202</u>	<u>214</u>
<b>Total comprehensive loss for the year</b>	<b><u>(73,813)</u></b>	<b><u>(47,772)</u></b>
<b>Total comprehensive loss attributable to the owners of the Company</b>	<b><u>(73,813)</u></b>	<b><u>(47,772)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		24,013	31,851
Intangible asset		120	120
Available-for-sale financial assets		57,043	20,484
Interest in an associate		1,620	9,813
		82,796	62,268
<b>Current assets</b>			
Available-for-sale financial assets		4,636	–
Financial assets at fair value through profit or loss		121,265	154,291
Other receivables, prepayments and deposits		2,395	1,819
Cash and bank balances		7,042	31,426
		135,338	187,536
Assets classified as held for sale		–	5,900
		135,338	193,436
<b>Total assets</b>		<b>218,134</b>	<b>255,704</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	9	45,496	31,599
Reserves		158,521	200,701
		204,017	232,300
<b>Total equity</b>		<b>204,017</b>	<b>232,300</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		4,086	9,680
Secured bank loan		4,070	4,518
Obligation under a finance lease		3,361	3,245
		11,517	17,443

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current liability</b>		
Obligation under a finance lease	<u>2,600</u>	<u>5,961</u>
<b>Total liabilities</b>	<u>14,117</u>	<u>23,404</u>
<b>Total equity and liabilities</b>	<u><u>218,134</u></u>	<u><u>255,704</u></u>
<b>Net current assets</b>	<u><u>123,821</u></u>	<u><u>175,993</u></u>
<b>Total assets less current liabilities</b>	<u><u>206,617</u></u>	<u><u>238,261</u></u>

*Notes*

**1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments (including derivative financial instruments) that are measured at fair values.

**2A. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joints Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvement to HKFRSs 2012–2014 Cycle

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

**Amendments to HKAS 1 Disclosure Initiative**

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity needs not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group’s activities that management considers to be most relevant to an understanding of the Group’s financial performance and financial position. Other than the presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

## 2B. CHANGES IN PRESENTATION

The Group's previously presented the proceeds from disposal of trading securities in a gross basis and included as turnover, while the cost of sales on trading securities is either the cost brought forward from last year or the purchase cost if such trading securities are acquired during the year. The management considers it is more appropriate to present net fair value change on financial assets at fair value through profit or loss separately. Instead, the dividend income from listed equity securities and listed debts securities interest income are reclassified as revenue. Loss on disposal of available-for-sale financial assets, impairment loss on available-for-sale financial assets, reversal of impairment loss provision on other receivables and exchange losses are classified as other gain or losses. In addition, the Group presents the total gross proceeds from disposal of trading securities together with dividend and interest income as addition information. The effect of the changes in the Group's presentation described above on the results of the preceding year by line items presented in the consolidated statement of profit or loss is as follows:

	Year ended 31 December		
	2015	Increase	2015
	HK\$'000	(decrease)	2015
	(originally	HK\$'000	HK\$'000
	stated)		(restated)
Revenue	–	3,144	3,144
Equity security disposed of	(90,288)	90,288	–
Net realised gain on equity securities	2,169	(2,169)	–
Net unrealised fair value loss on financial			
assets at fair value through profit or loss	(24,334)	24,334	–
Net fair value change on financial			
assets at fair value through profit or loss	–	(22,165)	(22,165)
Dividend income from listed equity securities	1,863	(1,863)	–
Listed debt securities interest income	1,281	(1,281)	–
Loss on disposal of available-for-sale			
financial assets	(1,876)	1,876	–
Impairment loss on available-for-sale			
financial assets	(220)	220	–
Other income	765	(440)	325
Other gain or (losses)	–	(1,779)	(1,779)
Other operating expenses	(1,405)	123	(1,282)
	<u>          </u>	<u>          </u>	<u>          </u>

### 3. SEGMENT INFORMATION

The Group's principal activity is investment in equity and debt instruments. In prior year, two reportable operating segments, including listed and unlisted investments, were presented. In the current year, effective from 1 January 2016, for management purposes, the Group's business activity is organised into one single segment, investment holding. For the purpose of resources allocation and assessment of performance, the management regularly review and manage the Group's investment portfolio which includes financial assets at fair value through profit or loss and available-for-sale financial assets. Information regularly provided to the management mainly includes fair value of 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 year ended 31 December 2016 as significant transactions are mainly based in Hong Kong.

### 4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Gross proceeds from operations represent investment income of the Group and the gross proceeds from the disposal of held-for-trading equity securities. An analysis of the Group's gross proceeds from operations is presented as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Gross proceeds from disposal of held-for-trading listed equity securities	48,075	92,457
Dividend income from listed equity securities	1,905	1,863
Interest income from listed debt securities	2,069	1,281
	<u>52,049</u>	<u>95,601</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Dividend income from listed equity securities	1,905	1,863
Interest income from listed debt securities	2,069	1,281
	<u>3,974</u>	<u>3,144</u>



## 5. OTHER GAIN OR (LOSSES)

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Gain (loss) on disposal of available-for-sale financial assets	222	(1,876)
Impairment loss on available-for-sale financial assets	(2,024)	(220)
Reversal of impairment loss provision on other receivables	–	440
Exchange losses	(595)	(123)
	<u>(2,397)</u>	<u>(1,779)</u>

## 6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging (crediting):

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Auditors' remuneration	580	611
Depreciation	7,972	3,610
Employee benefit expenses excluded share-based payments	13,494	13,794
Share-based payments	1,314	1,185
Custody services fees ( <i>note</i> )	37	197
Investment management fees ( <i>note</i> )	600	524
Bank interest income	(14)	(325)
	<u>(14)</u>	<u>(325)</u>

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

## 7. INCOME TAX EXPENSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
– Hong Kong Profits Tax	–	–
	<u>–</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2016 and 2015.

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for both years.

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss attributable to owners of the Company</b>		
Loss for the purpose of basic and diluted loss per share	<u>(74,015)</u>	<u>(47,986)</u>
	2016 <i>'000</i>	2015 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	410,477	285,113
Effect of potential dilutive securities:		
Shares issuable from the Company's share options (note)	—	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>410,477</u>	<u>285,113</u>
Basic and diluted loss per share (HK cents)	<u>(18.03)</u>	<u>(16.83)</u>

*Note:* As at 31 December 2016, the Company had 15,550,000 (2015: 8,060,000) outstanding share options which were anti-dilutive.

## 9. SHARE CAPITAL

The movement of share capital of the Company is presented as follows:

	<i>Notes</i>	<b>Number of ordinary shares '000</b>	<b>Nominal value of ordinary shares HK\$'000</b>
<b>Authorised:</b>			
<b>At 1 January 2015 at HK\$0.01 each</b>		<b>20,000,000</b>	<b>200,000</b>
<b>At 31 December 2015, 1 January 2016 and 31 December 2016 at HK\$0.10 each</b>			
		<b>2,000,000</b>	<b>200,000</b>
<b>Issued and fully paid:</b>			
At 1 January 2015		2,633,273	26,333
Share consolidation	(a)	(2,369,945)	–
Placing of new shares	(b)	52,662	5,266
<b>At 31 December 2015 and 1 January 2016</b>			
Placing of new shares	(c)	63,192	6,319
Placing of new shares	(d)	75,780	7,578
<b>At 31 December 2016</b>		<b>454,962</b>	<b>45,496</b>

*Notes:*

- (a) With effective from 16 March 2015, the Company consolidated its shares on the basis that every ten issued and unissued shares of HK\$0.01 each has been consolidated into one consolidated share of HK\$0.10 each. Further details were mainly set out in the circular dated 25 February 2015 and announcement dated 13 March 2015.
- (b) In August 2015, the Company issued a total of 52,662,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.51 each. Further details were mainly set out in the announcement dated 3 August 2015.
- (c) In February 2016, the Company issued a total of 63,192,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.30 each. Further details were mainly set out in the announcement dated 1 February 2016.
- (d) In July 2016, the Company issued a total of 75,780,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.35 each. Further details were mainly set out in the announcement dated 8 July 2016.

## **10. NET ASSETS VALUE PER SHARE**

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of approximately HK\$204,017,000 and approximately 454,962,000 ordinary shares of HK\$0.10 each in issue at 31 December 2016. The net asset value per share as at 31 December 2016 is HK\$0.448 (2015: HK\$0.735).

## **KEY PERFORMANCE INDICATOR**

The Group's net asset value is a key indicator of the financial performance and it decreased to HK\$204.0 million (2015: HK\$232.3 million). During the year, the Group suffered from a loss of HK\$74.0 million, mainly because of the high volatility of the Hong Kong stock market during the year. The net losses on disposal of equity securities amounted to about HK\$13.5 million, and majority of those equity securities were disposed before October to mitigate the uncertainties arising from the outcome of the U.S. presidential election. Donald Trump's surprise victory in the U.S. presidential election was regarded as a black swan event. To strengthen the capital base, the Company completed two fund-raising exercises of share placement which increased the net asset value by about HK\$44 million.

The net asset value per share was HK\$0.448, which was calculated on the above net assets value and 454,961,250 ordinary shares of HK\$0.10 each in issue as at 31 December 2016.

## **FINANCIAL REVIEW**

### **INVESTMENT PORTFOLIO REVIEW**

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

During the year, the Group's listed investment portfolio increased from HK\$174.8 million to HK\$182.9 million, representing a decrease of about 4.7%, and it primarily comprised of investment in listed equity and debt securities. Investments which were classified as financial assets through profit or loss amounted to HK\$121.3 million (31 December 2015: HK\$154.3 million). Investments which were not held for trading were classified as available-for-sale financial assets. As at 31 December 2016, the available-for-sale financial assets comprised listed debt securities and amounted to about HK\$61.7 million (31 December 2015: HK\$20.5 million).

During the year, the Group rebalanced its portfolios and invested a higher portion of its total assets to investment in debt securities. In particular, the disposal of all the investment in RMB bonds in prior year had reduced the then level of bond investment. Thus, the bond investment was increased from HK\$20.5 million to HK\$61.7 million and represented about 28.3% of the total assets. The debt securities primarily comprised notes of investment grade ratings and were mainly denominated in USD.

### **Unlisted investment in an associate**

Superb Kingdom Limited (“SKL”) is primarily engaged in the sales of LED lighting products and as at the balance sheet date, our 30% equity interest investment was stated at the amount of about HK\$1.6 million (31 December 2015: HK\$9.8 million). An impairment loss of the goodwill in the amount of about HK\$3.3 million was made during the year. Currently, SKL primarily targets at the sales of LED lighting products to Macau casinos. The keen competition in the LED lighting industry and the sluggish Macau gaming market has adversely affected the financial performance and forecast of SKL. As a result, its recoverable amount was estimated to be significantly reduced .

## **REVIEW OF OPERATIONS**

### **Gross proceeds from operations**

The gross proceeds from operations were about HK\$52.0 million for the year (2015: HK\$95.6 million). The drop of about 45.6% was in line with the situation of the Hong Kong stock market. According to “Research report No. 60: A Review of the Global and Local Securities Markets in 2016” issued by the Securities Futures Commission on 20 January 2017, the average daily trading in Hong Kong’s stock market fell 36.6% year-on-year to HK\$66.9 billion in 2016.

### **Revenue**

For the year ended 31 December 2016, the revenue of the Group was HK\$4.0 million (2015: HK\$3.1 million), comprising of dividend income from listed equity securities of about HK\$1.9 million (2015: HK\$1.9 million) and listed debts securities interest income of about HK\$2.1 million (2015: HK\$1.3 million). The interest income can provide a stable source of income to the Group.

### **Loss from operations**

During the year of 2016, the Hang Seng Index slightly rose 0.4%, whilst the Hang Seng China Enterprises Index dropped 2.8%. Most major markets rose because of abundant market liquidity, shored up by optimism about the U.S. President’s promise of supportive economic initiatives. That optimism in the U.S. and Europe prevailed the concerns about U.S. interest rate hikes and political uncertainties following the United Kingdom’s vote to leave the European Union. However, the Mainland market fell on worries and uncertainties about the country’s economic outlook and a weakening of the renminbi, trimming gains in the Hong Kong market. It also dampened the market activity and trading in the Hong Kong stock market decreased.

Following the decline in the Mainland stock market in early 2016, the Hong Kong market fell on lingering worries about the Mainland’s economic slowdown and renminbi volatility. Since July, the local market rebounded on expectations of a delay in U.S. interest rate hikes. In late 2016, despite optimism about supportive market policies promised by the U.S. President, investor sentiment was affected by the signal of an accelerated pace of rate hikes from the U.S. Federal Reserve.

The loss from operations of approximately HK\$66.0 million (31 December 2015: HK\$48.1 million) was mainly attributable to the realised loss on listed equity securities and the fluctuations in the unrealised fair value change arising from the year end re-measurement.

The administrative expenses moderately increased to HK\$30.2 million (2015: HK\$26.3 million). The expenses mainly comprised of employment benefit expenses of about HK\$14.8 million (2015: HK\$15.0 million) and depreciation charge of fixed assets of about HK\$8.0 million (2015: HK\$3.6 million).

During the year, the available-for-sale financial instruments which represented certain listed debt securities were disposed at a profit of about HK\$0.2 million (2015: loss of about HK\$1.9 million). The other losses of about HK\$2.4 million (2015: HK\$1.8 million) was mainly attributable to the impairment loss on certain listed debt securities, which were classified as available-for-sale financial instruments of about HK\$2.0 million (2015: HK\$0.2 million).

During the year, the Group also incurred finance costs of about HK\$0.4 million (2015: HK\$0.2 million) for certain mortgage loan and finance lease, which were used to finance the acquisition of certain property, plants and equipment.

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

Superb Kingdom Limited (“SKL”) is a young start-up company and sells its products in Asia under a German brand of Segula. Currently, it focuses on the businesses at casinos and five-star hotels in Macau and other Asian countries. It is encouraging that SKL has expanded its customer base and successfully obtained good job references in the LED lighting industry.

Because the gaming market in Macau encountered challenges in 2016, the orders flow for its LED lighting products was inevitably deferred. Under the tough business environmental, SKL reported an operating loss in current year, which included the claim compensation caused by the quality issues of LED lighting products supplied by the previous vendors. The share of the operating loss of the associate amounted to about HK\$1 million. Misfortunes never come singly. While the chance of recovery from the previous vendors in respect of the claim compensation was remote, the relationship with its major customer was also terminated. Consequently, the related intangible asset had to be fully written off. The share of such written-off amounted to about HK\$3.3 million and the share of losses of SKL totalled to about HK\$4.3 million.

SKL is now working diligently to solicit certain new orders from its customers. SKL will use its best endeavour to expand its sales in the coming year and may co-operate with Segula GmbH to enhance their long-term relationship. The management, together with the Investment Manager, will continue to closely monitor the development of the associate and will provide assistance to SKL, as necessary, to strengthen its operations.

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

The Group’s lawyers have continued the recovery actions of the outstanding convertible note receivables which were in the amount of about RMB15 million as at 31 December 2016. Master Glory Holdings Limited (“Master Glory”), a subsidiary of the Company, had taken company winding up proceedings in the High Court of Hong Kong against Ascent Glory Holdings Limited which is the CN issuer and Grand Success Business Limited, the CN corporate guarantor. Master Glory also commenced legal proceedings against the individual guarantor and had issued a writ of summons in the Court of First Instance of Hong Kong for the above net outstanding receivable amount. However, the above recovery actions are not straightforward and the Group anticipates difficulties because of jurisdictional issue and the departure of all relevant management staff who had personal knowledge of and responsible for handling the CN including its initiation and issuance. Notwithstanding these factors, the management shall continue to use its best endeavour to recover the above outstanding amount.

## **PROSPECTS**

### **Market Outlook**

U.S. President Donald Trump’s election victory has sent out a global shockwave. The economic policy of “American first” should imply less free trade and there will be more anti-trade policies, such as the recent withdrawal from the Trans Pacific Partnership. These inevitably create uncertainty in the short-term. Because Trump’s trade and fiscal policies are likely to benefit U.S. companies, U.S. equities would likely outperform the other regions. With the uncertainty of Trump, equity markets are expected to trade in a wider range. Tactical asset allocation will become increasingly important because we move from a relatively stable world to one that is unpredictable under the rising populism. High yield bonds can provide a good source of carry and floating rate bonds attract more investors because their coupons can be reset and can adjust higher in a rising rate and higher inflation environment. While, the developed market investment grade bonds are generally at best considered as neutral. Thus, bond portfolios should be reviewed to prepare for the possible reflation.

### **Way Forward**

The heightened uncertainty of the global economic outlook will add more volatility to global and local markets. Some of the major risks and uncertainties facing the Hong Kong market include a hawkish rate outlook for the U.S. and a strong US dollar; uncertainties about the new U.S. administration’s policies; concerns about economic growth on the Mainland and renminbi depreciation; and worries about political stability in Europe and the financial health of European banks.

Given the above uncertainty, the Group will be more cautious about investing in listed equities and debt securities. Regarding the equity portfolio, the Group uses both the buy-and-hold strategy and trading strategy. Success Talent Investments Limited (the “Investment Manager”) continues to closely monitor the composition and performance of

the portfolios, particularly on the trading one, in order to enhance our risk-adjusted-return performance. The Group has also received proposals on certain callable equity-linked investment products from certain investment banks, which can generate a higher yield. Subsequent to the balance sheet date, the Group has commenced investing in such products and will continue to conduct it cautiously, together with the Investment Manager.

As mentioned in our announcement dated 3 August 2016, the Group entered into a non-legally binding letter of intent to invest in a Qianhai company which will explore investment activities and opportunities in the PRC. As further time is required to study the new business plan of the Qianhai company, the Group extended the discussion period with the relevant parties in February 2017. The Group is also in the process of setting up its wholly-owned subsidiary in Qianhai to consider various potential investment opportunities.

Regarding the investment in unlisted companies, the Group will continue to study start-up companies, particularly in the internet finance sector and pre-IPO investment opportunities because both of these can offer higher internal rate of return. The Group also continues to enhance its capital base and cash reserve by fund-raising through the capital market, when appropriate. On 27 January 2017, the Company has completed a share placement by the allotment and issuance of 90,990,000 ordinary shares at HK\$0.26 per share. In order to further increase its financial strength, the Group will use the proceeds for working capital or potential investments.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial resources and liquidity**

As at 31 December 2016, the cash and bank balances amounted to approximately HK\$7.0 million (31 December 2015: HK\$31.4 million) and the net current assets amounted to approximately HK\$123.8 million (31 December 2015: HK\$176.0 million). As at 31 December 2016, the Group had no capital commitment (31 December 2015: Nil).

### **Gearing ratio**

As at 31 December 2016, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was about 5% (31 December 2015: about 6%) and the ratio was maintained steadily.

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

As of 31 December 2016, the Group's property, plant and equipment amounted to approximately HK\$24.0 million (31 December 2015: HK\$31.9 million).



### **Material acquisition and disposal**

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

### **Share option scheme**

During the year, no share options had been exercised, cancelled and lapsed and there were 15,550,000 shares options outstanding at 31 December 2016 of which 7,490,000 share options were granted by the Company to its certain directors and employees on 11 July 2016. Share-based payments of HK\$1,314,000 (2015: HK\$1,185,000) were also recognised in the consolidated statement of profit or loss.

### **Exposure to foreign exchange**

The investment portfolio primarily comprises listed equities and debt securities. Majority of the above investments 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**

By way of share placements, the Company issued a total of 63,192,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.30 each in February 2016 and issued a total of 75,780,000 ordinary shares with par value of HK\$0.10 each at a price of HK\$0.35 each in July 2016. The net proceeds have been primarily used for investment and general working capital.

The total number of issued shares of the Company as at 31 December 2016 was 454,961,250 (31 December 2015: 315,989,250 shares).

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

The year-end carrying value of the office premises under a mortgage and the asset under a finance lease amounted to approximately HK\$12.0 million and approximately HK\$8.9 million, respectively (31 December 2015: HK\$12.5 million and HK\$14.3 million, respectively).

### **Human resources**

The Company has 27 employees as at the year-end date (31 December 2015: 27) and all of them were in Hong Kong. The remuneration packages for the employees and the directors are in line with the prevailing market practice and are determined on the basis of performance and experience of each individual.

## **CORPORATE GOVERNANCE**

### **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 the shareholders 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 financial year of 2016, the Company complied with all of the provisions under the CG Code except for the following:

#### **Code A.4.1**

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

#### **Code A.7.1**

The code provision A.7.1 requires an agenda and accompanying board papers should be sent, in full, to all directors for regular board meetings and as far as practicable in all other cases. These papers should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period). Due to the practical reasons, an agenda and accompanying board papers have not been sent, in full, in 3 days in advance to certain meetings of the Board or Board Committee. 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 current Audit Committee consists of three Independent Non-executive Directors, namely Mr. Tam Yuk Sang, Sammy, Dr. Ng Chi Yeung, Simon and Ms. Florence Ng, with written terms of reference in compliance with the code provision C.3.3 of the Code as set out in the Appendix 14 of the Listing Rules. Mr. Tam Yuk Sang, Sammy is the Chairman of the Audit Committee.

The Audit Committee has reviewed with the management on the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal controls and financial reporting matters including a review and approval of the annual financial statements for year ended 31 December 2016 (“2016 Annual Report”).

## **ANNUAL GENERAL MEETING (“AGM”)**

The AGM of the Company will be held on Thursday, 18 May 2017. The notice of AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 12 May 2017 to 18 May 2017, both days inclusive, for the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the AGM. No transfer of shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than on 4:30 p.m. on Thursday, 11 May 2017.

## **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 year ended 31 December 2016.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLICATION ON THE STOCK EXCHANGE’S WEBSITE**

The results announcement will be published on the Stock Exchange’s website (<http://www.hkex.com.hk>). The 2016 Annual Report, in due course, will be dispatched to the shareholders and will be made available on the website of Stock Exchange.

## **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, 20 March 2017

*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.*