



**CHINA INNOVATION  
INVESTMENT LIMITED**

中國創新投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1217)

**2012**  
ANNUAL REPORT

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Xiang Xin (*Chief Executive Officer*)

Mr. Chan Cheong Yee

Mr. Li Zhou

### Non-executive Directors

Mr. Wang Yaomin (*Chairman of the Board*)

Mr. Ng Kwong Chue Paul

Mr. Jook Chun Kui Raymond

### Independent Non-executive Directors

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

### Alternate Director

Ms. Kung Ching, an alternate director to Mr. Xiang Xin

## COMPANY SECRETARY

Mr. Fok Chi Wing

## AUTHORIZED REPRESENTATIVES

Mr. Xiang Xin

Mr. Fok Chi Wing

## EXECUTIVE COMMITTEE

Mr. Xiang Xin (*Chairman*)

Mr. Chan Cheong Yee

Mr. Li Zhou

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. David Wang Xin (*Chairman*)

Mr. Zang Hong Liang

Mr. Lee Wing Hang

## NOMINATION COMMITTEE

Mr. David Wang Xin (*Chairman*)

Mr. Xiang Xin

Mr. Zang Hong Liang

## REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West Road

Sheung Wan, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

18/F., Fook Lee Commercial Centre

Town Place, 33 Lockhart Road

Wanchai, Hong Kong

## INVESTMENT MANAGER

China Everbright Securities (HK) Limited

## AUDITORS

ANDA CPA Limited

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Hang Seng Bank

UBS AG

Bank of Singapore Limited

## CUSTODIANS

China Everbright Securities (HK) Limited

Hang Seng Bank

UBS AG

## STOCK CODE

1217

## WEBSITE

[www.1217.com.hk](http://www.1217.com.hk)

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2012, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Century Company Limited, Blue Angel (H.K.) Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$77,925,000, HK\$78,349,000, HK\$78,700,000, nil and HK\$35,790,000 respectively.

## PROSPECT

The Company is one of the few investment companies in Hong Kong focusing investment in dual usage of military and civil sectors. We invest in listed and non-listed and civil and military joint ventures with high quality to strive for medium-term gains from capital appreciation in the course of securitization of corporate assets invested, and apply the same as our key operation strategy and income source.

Leveraging on our experience and well-connected network in the Mainland market over years, the Company recently invested in military and civil dual-used charge storage batteries, new models of lighting products, eco-equipment materials and energy-saving media terminals respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the four new industries of "New Energy", "New Light", "New Materials" and "New Media", military and civil dual-application in real projects.

For "New Energy", the Company invests in Topsun Creation Limited ("Topsun"), which adopts the power reserve patent technology of military aviation as its own core to develop the strategy of "Production — Research — Preliminary Research" for the research and manufacturing of solar photovoltaic system. With features of high capacity, fully sealed and maintenance-free, the system is widely used in military equipment and civil vehicles as well as construction, etc.

For "New Light", the Company invests in Aesthetic Vision Limited ("Aesthetic"). Aesthetic's major product is LED lighting. It possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics.

For "New Materials", the Company invests in United Crown Century Company Limited ("United Crown"). Being the pioneer in the new energy-saving eco-sheet industry in the People's Republic of China ("PRC") market, United Crown mainly specializes in research and development of energy-saving eco-sheet materials for walls.

## CHAIRMAN'S STATEMENT

For "New Media", the Company invests in Blue Angel (H.K.) Limited ("Blue Angel HK"), which mainly engages in producing and assembly of energy-saving media terminals products with the use of "New Energy", "New Light", "New Material" technologies, so as to develop a completed industry chain of four new technology and provide a one-stop production setting with synergy effect.

For the sake of enhancing four new industries, the Company invests in Grand Far Sky Limited ("Grand Far Sky"). Grand Far Sky has engaged in providing completed management of fund and funds platform for four new technology.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in new technologies like low carbon technology, in order to build a greener low-carbon living.

Looking forward, the Company will continue to explore the investment opportunities to achieve medium-term capital appreciation.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost support and contribution to the Company during the year.

**Wang Yaomin**

*Chairman*

Hong Kong, 11 March 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL REVIEW

- (i) On 31 December 2011, the Company entered into a conditional transfer agreement (“Transfer Agreement”) with Ms. Wang Zhuo (“Ms. Wang”). The Company had agreed to acquire and Ms. Wang had agreed to sell 6,300 “B” non-voting shares of Grand Far Sky Limited (“Sale Share”) for a total consideration of RMB63,000,000, subject to precedent conditions. On 29 August 2012, the precedent conditions of the Transfer Agreement had been achieved. The Company agreed to acquire the Sale Share from Ms. Wang and paid RMB30,000,000 convertible bonds of Takenaka Industry Company Limited held by the Company to Ms. Wang or its agency as deposit.

On 18 September 2012, the Company and Ms. Wang entered into a supplemental agreement to vary the terms of the Transfer Agreement in respect of the acquisition, (i) the Company and Ms. Wang agreed to turn the RMB30,000,000 convertible bonds deposit paid by the Company into 3,000 “B” non-voting shares; and (ii) the Company reserve the right to acquire the remaining 3,300 “B” non-voting shares from the Vendor (or her heirs/beneficiaries) by RMB33,000,000 payable in cash within two years since the date of signing this supplemental agreement. The Company is not required to pay any premium to Ms. Wang in respect of the option, and the Company has unilaterally right to exercise the option.

- (ii) On 28 February 2012, the Company and China Everbright Securities (HK) Limited (“China Everbright”) entered into of the Second Supplemental Agreement. The Company and China Everbright confirm the renewal of the investment management agreement entered into between the Company and China Everbright dated 23 May 2003 in relation to the appointment of China Everbright as the investment manager of the Company (the “Agreement”). The parties further agree that the Investment Management Fee payable by the Company to China Everbright will be adjusted to HK\$960,000 per annum with effect from 20 May 2012 and payable monthly by the Company to China Everbright in HK\$80,000 per month. Furthermore, it was agreed that the Company and China Everbright shall not terminate the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) within the twelve months commencing from 20 May 2012.

- (iii) On 7 November 2012, the bank accounts of Blue Angel (China) Company Limited (“Blue Angel China”) are being frozen by China Jiangsu Province Zhenjiang New District Public Security Bureau. That causes a material adverse effect to Blue Angel China and its signed agreements. All business of Blue Angel China have been aborted. It also causes a great adverse impact to the goodwill of other investment projects invested by the Company. That may lead to those cooperation framework agreements could not be executed or completed within the prescribed period.

On 22 February 2013, Zhenjiang New District Public Security Bureau has revoked the frozen of bank account balance approximately RMB5.06 million (equivalent to approximately over HK\$6.3 million) and approximately HK\$650,000. Blue Angel China has appointed China law firm to follow up related matters.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INVESTMENT PORTFOLIOS

As at 31 December 2012, the Company hold the following investments:

- (i) Topsun Creation Limited (“Topsun”) is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2012, Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity mainly dedicated to the research and development as well as marketing in the area of the lead acid batteries with energy-saving batteries for new energies as its major products. The characteristics of such product is high volume, whole sealing and maintenance free. The Company holds 2,710 “B” non-voting shares in Topsun, representing 67.75% interest in the issued share capital of Topsun. The Company did not receive any dividend from Topsun during the year.
- (ii) Aesthetic Vision Limited (“Aesthetic”) is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiaries incorporated in the PRC of which its major product is LED lighting. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. The Company holds 8,500 “B” non-voting shares in Aesthetic, representing 85% interest in the issued share capital of Aesthetic. No dividend was received during the year.
- (iii) United Crown Century Company Limited (“United Crown”) is incorporated in Hong Kong and principally engaged in investment holding. The principal asset of United Crowed was indirectly 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving eco-materials for walls. The Company holds 12,644 “B” non-voting shares in United Crown, representing 52.68% interest in the issued share capital of United Crown. The Company did not receive any dividend from United Crown during the year.
- (iv) Blue Angel (H.K.) Limited (“Blue Angel HK”) is incorporated in Hong Kong and principally engaged in investment holding. Blue Angel HK holds a wholly-owned subsidiary incorporated in the PRC, of which the principal activity is producing and assembly of energy-saving media terminals products with the use of “New Energy”, “New Light”, “New Material” technologies, so as to develop a completed industry chain of four new energy and provide a one-stop production setting with synergy effect. As at 31 December 2012, the Company holds 48,500 “B” non-voting shares in Blue Angel HK, which represented 62.99% interest in the issued share capital of Blue Angel HK. No dividend was received during the year.
- (v) Grand Far Sky Limited (“Grand Far Sky”) is incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of fund and funds platform. Grand Far Sky holds a 95% interest in a subsidiary incorporated in the PRC, of which the principle activity is funding platform and fund management. As at 31 December 2012, the Company holds 3,000 “B” non-voting shares in Grand Far Sky, which represented 31.58% interest in the issued share capital of Grand Far Sky. No dividend was received during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2012, the Company had cash and bank balances of approximately HK\$30,763,000. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks and securities houses in Hong Kong.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (net debt to shareholders' funds) as at 31 December 2012. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

## FOREIGN CURRENCY FLUCTUATION

During the year, the Company conducted its business transactions principally in Renminbi and Hong Kong dollars. The Directors considered that the Company had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

## CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2012, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2012.

## EMPLOYEE INFORMATION

As at 31 December 2012, the Company had 11 (2011: 9) employees and the total remuneration paid to staff (including directors' remuneration) was approximately of HK\$2,970,000 (2011: of approximately HK\$2,707,000) during the year under review. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of the Company is committed to establish and maintain high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company’s shareholders. The Company devotes to best practice on corporate governance, and to comply with the extent practicable, with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

During the year ended 31 December 2012, the Company has complied with the code provisions in the Code, save for deviation from Codes A.2.1 and A.4.1.

- The roles of chairman and chief executive officer should be separated and should not be performed by the same individual.
- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company’s Articles of Association and shall be eligible for re-election.

Mr. Xiang Xin (“Mr. Xiang”) performs both of the roles as the chairman and the chief executive officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

Following the resignation of Mr. Xiang Xin and appointment of Mr. Wang Yaomin as Chairman of the Board on 4 March 2013, the Company complied with the code provisions in the Code A.2.1 accordingly.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company’s Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code.

## BOARD OF DIRECTORS

The Board currently consists of three executive Directors, three non-executive Directors and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company’s Articles of Association and shall be eligible for re-election. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the next general meeting after their appointment and shall be eligible for re-election.

# CORPORATE GOVERNANCE REPORT

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. Approval of the Board is required for the strategy of the Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

The Directors may have access to the advice and services of the company secretary of the Company with the view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The attendance of individual members at board meetings and executive committee meetings held during the year ended 31 December 2012 are set out as below:

Name of Directors	Board meetings Attendance
<i>Executive Directors:</i>	
Mr. Xiang Xin	4/5
Mr. Chan Cheong Yee	0/5
Mr. Li Zhou	5/5
<i>Non-executive Directors:</i>	
Mr. Ng Kwong Chue Paul	1/5
Mr. Jook Chun Kai Raymond (appointed on 1 March 2012 as an executive director, re-designated to a non-executive director on 20 December 2012)	2/3
Mr. Wang Yaomin (appointed on 4 March 2013 as a non-executive director)	N/A
<i>Independent non-executive Directors:</i>	
Mr. David Wang Xin	1/5
Mr. Zang Hong Liang	2/5
Mr. Lee Wing Hang	0/5
<i>Alternate Director:</i>	
Ms. Kung Ching (appointed as an alternate director on 8 October 2012)	N/A

The biographical details of the Directors are set out on pages 14 to 15 of this annual report.

To the best knowledge of the Company, none of the Directors above has any financial, business and family or other material/relevant relationship with any of the other Directors.

# CORPORATE GOVERNANCE REPORT

All independent non-executive Directors are financially independent from the Company. The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company during the year 2012.

Mr. Xiang resigned as the Chairman of the Board of the Company but remained as the Chief Executive Officer of the Company with effect from 4 March 2013. Mr. Wang Yaomin was appointed as the Chairman of the Board with effect from 4 March 2013.

## EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee currently comprises all executive Directors of the Company.

The Executive Committee held periodical meetings during the year ended 31 December 2012 to review, discuss and evaluate the investment performance and other business and operational matters of the Company. The respective attendance at such meeting during the year ended 31 December 2012 was:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. Xiang Xin ( <i>Chairman</i> )	6/6
Mr. Chan Cheong Yee	1/6
Mr. Li Zhou	6/6
Mr. Jook Chun Kai Raymond (appointed on 1 March 2012 as an executive director, re-designated to a non-executive director on 20 December 2012)	0/5

## REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in 2006 with terms of reference as set out in the Code. The Remuneration Committee consists of three independent non-executive Directors. As at the date of this report, the members of the Remuneration Committee are as follows:

Mr. David Wang Xin (*Chairman*)  
Mr. Zang Hong Liang  
Mr. Lee Wing Hang

# CORPORATE GOVERNANCE REPORT

The Remuneration Committee met at least once during the year and the respective attendance at such meeting during the year ended 31 December 2012 was:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. David Wang Xin	1/1
Mr. Zang Hong Liang	1/1
Mr. Lee Wing Hang	1/1

The principal duties of the Remuneration Committee include formulation of the remuneration policy; review and recommending to the Board the annual remuneration; make recommendation to the Board of the remuneration of non-executive directors; and determination of the remuneration of executive directors and members of the senior management.

## NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was set up in August 2007 with terms of reference as set out in the Code.

The Nomination Committee consists of three Directors. As at the date of this report, the members of the Nomination Committee are as follows:

Mr. David Wang Xin (*Chairman*)  
Mr. Xiang Xin  
Mr. Zang Hong Liang

In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

The Nomination Committee met at least once during the year and the respective attendance at such meeting during the year ended 31 December 2012 was:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. David Wang Xin	1/1
Mr. Xiang Xin	1/1
Mr. Zang Hong Liang	1/1

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The audit committee (the “Audit Committee”) was established by the Board since the listing of the Company’s shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference adopted since its establishment in compliance with the Code as set out in Appendix 14 of the Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

Mr. David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met at least twice during the year and the respective attendance at such meeting during the year ended 31 December 2012 was:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. David Wang Xin	3/3
Mr. Zang Hong Liang	2/3
Mr. Lee Wing Hang	1/3

The Audit Committee is responsible for reviewing the Company’s interim and annual financial statements and making recommendation as to the approval of the Company’s interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half-year results for the period ended 30 June 2012 and the annual results for the year ended 31 December 2012 of the Company before announcement of both results.

## INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company’s simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Company’s risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has conducted a review of the effectiveness of the Company’s internal control system, and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Company’s assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company’s internal control systems is sufficient.

# CORPORATE GOVERNANCE REPORT

## FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2012, the Directors have:

- based on a going concern basis;
- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable;
- ensured that the financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

## EXTERNAL AUDITORS

The responsibilities of the external auditors with respect to financial reporting are set out in the section of “Independent Auditor’s Report” on pages 24 and 25.

## AUDITORS’ REMUNERATION

During the year under review, the remuneration paid and payable to the Company’s auditors, ANDA CPA Limited and other professional parties are set out as follow:

Audit fee for the year	HK\$145,000
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# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Xiang Xin**, aged 49, was the executive director and the chief executive officer of the Company. Mr. Xiang has worked in a number of large organizations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor's degree in science and a master's degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently an executive director and the chief executive officer of China Trends Holdings Limited ("China Trends") (stock code: 8171), a company listed on the growth enterprise market of the Stock Exchange. Mr. Xiang joined the Company on 25 February 2008.

**Mr. Chan Cheong Yee**, aged 49, an executive director of the Company and is a member of the executive committee of the Company, joined the Company in June 2003. Mr. Chan holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for over 20 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is the independent non-executive director of Agritrade Resources Limited and executive director of China Investment and Finance Group Limited, executive director of China Investment Development Limited, executive director of Capital VC Limited, which are listed on the main board respectively, and also the executive director of Bingo Group Holdings Limited, a company listed on GEM.

**Mr. Li Zhou**, aged 34, an executive director of the Company and is a member of the executive committee of the Company, joined the Company in June 2011. Mr. Li holds a master degree of business administration from the University of Hong Kong. Prior to his joining of the Company, Mr. Li has worked in several listed companies and investment companies in the People's Republic of China. Mr. Li has extensive experience in the areas of telecommunications, information technology, project management, financing, and mergers and acquisitions.

## NON-EXECUTIVE DIRECTORS

**Mr. Ng Kwong Chue Paul**, aged 42, a non-executive Director of the Company, joined the Board as an executive Director in April 2003 and had been re-designated as non-executive Director in May 2006. He was the co-founder of the Company. Mr. Ng holds a bachelor degree in Commerce from the University of Melbourne. He is a member of each of CPA Australia, Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute. He is also a fellowship member of Hong Kong Institute of Directors and a member of Hong Kong Investor Relationship Association. He has years of experience in audit, taxation and corporate finance gained from international accounting firms. He serves as the executive director, company secretary and chief investment officer of JLF Investment Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. In 2008, Mr. Ng was elected as the honourable president for Macao ASEAN International Chamber of Commerce and the honourable chairman for Fujian Province Shishi Yuhu Care Charity Association.

## BIOGRAPHICAL DETAILS OF DIRECTORS

**Mr. Jook Chun Kui Raymond**, aged 46, a non-executive Director of the Company, joined the Board as executive Director in March 2012 and had been re-designated as non-executive Director in December 2012. Mr. Jook is also the managing director of Avant Capital Management (HK) Limited (“Avant Capital”). Mr. Jook is the licensed responsible officer of Avant Capital under Section 120 of the SFO, authorised to carry out Advising on Securities and Asset Management defined as Type 4 and Type 9. Mr. Jook has worked as hedge fund manager in other investment management company and has fourteen years of research analyst experience in various investment banks. Mr. Jook holds a BA degree in statistics and MS degree in actuarial science from the University of Wisconsin-Madison, an MBA degree from the University of British Columbia and CFA qualification.

**Mr. Wang Yaomin (“Mr. Wang”)**, aged 52, a chairman of the Board of Director and non-executive Director of the Company, graduated from Hebei Medical University, used to work for several large institutions in China, and later engaged in international trade and investment. He had invested in biopharmaceutical, traffic roads, the mineral resources, the real estate industry and other fields, and has a wealth of investment and management experience.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. David Wang Xin**, aged 50, an independent non-executive Director of the Company and is a chairman of the audit committee and the remuneration committee of the Company. Mr. Wang has joined the Company in October 2002. Mr. Wang is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor’s degree in Mechanical Engineering in 1982 and a master’s degree in Business Administration in 1985.

**Mr. Zang Hong Liang**, aged 45, an independent non-executive Director of the Company and is a member of the audit committee, the remuneration committee and the nomination committee of the Company, joined the Company in September 2004. Mr. Zang is at present a partner of Global Law Office, a large law firm in the PRC. Mr. Zang graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. Mr. Zang holds a bachelor degree in International Economic Law and a master degree in Commercial Law. Mr. Zang’s area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping.

**Mr. Lee Wing Hang**, aged 44, an independent non-executive Director of the Company and a member of the audit committee and the remuneration committee of the Company, joined the Company in December 2006. Mr. Lee is the partner of Tony W. H. Lee & Co., Certified Public Accountants (Practising). Mr. Lee holds a bachelor degree in accountancy from Australia. Mr. Lee has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

### ALTERNATE DIRECTOR

**Ms. Kung Ching (“Ms. Kung”)**, aged 43, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung worked for large organizations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Trends Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong. Ms. Kung joined the Company on 8 October 2012.



# REPORT OF THE DIRECTORS

The directors (the “Directors”) of the Company have pleasure to present their report and the audited financial statements for the year ended 31 December 2012.

## PRINCIPAL ACTIVITY

The principal activity of the Company has not changed during the year and is principally engaged in investment holding.

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and the People’s Republic of China (“PRC”).

## RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of comprehensive income on page 26.

The Board has resolved not to declare any dividend (2011: nil) for the year under review.

## RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 28.

## PROPERTY , PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Company during the year are set out in note 13 to the financial statements.

## DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution.

As at 31 December 2012, the Company had distributable reserves amounting to approximately HK\$208,088,000 (2011: approximately HK\$293,505,000).

# REPORT OF THE DIRECTORS

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out on page 58 of this annual report.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 20 to the financial statements.

## DIRECTORS

The Directors during the year and up to the date of this report were:

### Executive Directors:

Mr. Xiang Xin (*Chief Executive Officer*)

Mr. Chan Cheong Yee

Mr. Li Zhou

### Non-executive Directors:

Mr. Wang Yaomin (*Chairman*)

Mr. Ng Kwong Chue Paul

Mr. Jook Chun Kui Raymond

### Independent non-executive Directors:

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

### Alternate Director:

Ms. Kung Ching

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. Chan Cheong Yee, Mr. Ng Kwong Chue Paul and Mr. Lee Wing Hang shall retire and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 98(3) of the Articles of Association of the Company, Mr. Wang Yaomin shall retire and, being eligible, shall offer himself for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

# REPORT OF THE DIRECTORS

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 14 to 15 of this annual report.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2012, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

### (i) Long position in the Shares

Name	Interest in Shares	Capacity	Approximate percentage of interests
Xiang Xin	1,723,335,379	Corporate interests ( <i>note 1</i> )	24.69%
Kung Ching	1,723,335,379	Corporate interests ( <i>note 1</i> )	24.69%

*Note:*

- The 1,723,335,379 shares are held by Harvest Rise Investments Limited and Mr. Xiang is the sole director of the company. Mr. Xiang Xin and Ms. Kung Ching are the ultimate beneficiaries of such company.

### (ii) Long position in the underlying shares — share options

Name	Date of grant	Exercise period	Number of share options outstanding as at 31 December 2011	Exercise price per share	Number of total underlying Shares	Approximate percentage of interests
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	10,244,262	0.27%
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	4,097,704	0.30%

# REPORT OF THE DIRECTORS

## (iii) Long position in the unlisted warrants (“2008 Warrants”) of the Company

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Xiang Xin	800,000,000	Corporate interest (note 1)	11.46%
Kung Ching	800,000,000	Corporate interest (note 1)	11.46%

Note:

1. The underlying Shares are held by Harvest Rise Investments Limited and Mr. Xiang Xin is the sole director of the company and Mr. Xiang Xin and Ms. Kung Ching are the ultimate beneficiaries of such company.

The 2008 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013.

By the application of the “2008 warrants” holder on 22 January 2013 and the board of directors’ resolution dated on 11 March 2013, which is subject to the approval of the shareholder of the Company at a general meeting to be convened, the exercise period of the outstanding warrants will be extended to 29 January 2018.

Save as disclosed above, none of the Directors or the chief executive of the Company or any of their respective associates had, as at 31 December 2012, any interests and short positions in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

## SHARE OPTION SCHEME

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the “Scheme”), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders’ approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

## REPORT OF THE DIRECTORS

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

As at 31 December 2012, a total of 14,341,966 share options (representing approximately 0.21% of the existing issued share capital of the Company at that date) have been granted and outstanding pursuant to the Scheme.

Details of the options granted under the Scheme and outstanding at 31 December 2012 are as follows:

Name	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2012	Price per share to be paid on exercise of options HK\$
			Outstanding as at 1 January 2012	Granted during the year	Lapsed during the year	Exercised during the year		
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	-	-	-	10,244,262	0.0244
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	-	-	-	4,097,704	0.0244
			14,341,966	-	-	-	14,341,966	

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### (i) Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited	Beneficiary	1,723,335,379	24.69%
New Times Global Capital Inc. (note 1)	Deemed	1,723,335,379	24.69%
Guard Max Limited	Beneficiary	800,000,000	11.46%
Zhang Gui Sen (note 2)	Deemed	800,000,000	11.46%
China Seed International Limited	Beneficiary	800,000,000	11.46%
Yu Wang Shen (note 3)	Deemed	800,000,000	11.46%

### (ii) Long position in the unlisted warrants ("2008 Warrants") of the Company

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Harvest Rise Investments Limited (note 1)	800,000,000	Beneficiary	11.46%

The 2008 Warrants entitle the holders to subscribe for new Shares at a subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013.

By the application of the "2008 warrants" holder on 22 January 2013 and the board of directors' resolution dated on 11 March 2013, which is subject to the approval of the shareholder of the Company at a general meeting to be convened, the exercise period of the outstanding warrants will be extended to 29 January 2018.

Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by New Times Global Capital Inc.. Accordingly, New Times Global Capital Inc. is interested in the shares and the underlying shares of the company held by Harvest Rise Investments Limited. Mr. Xiang Xin and Ms. Kung Ching, each of them owns 50% share of New Times Global Capital Inc. and are also the directors of the Company.
2. Guard Max Limited is a private company wholly and beneficially owned by Mr. Zhang Gui Sen. Mr. Zhang Gui Sen is deemed to have interest in 800,000,000 shares held by Guard Max Limited.
3. China Seed International Limited is a private company wholly and beneficially owned by Mr. Yu Wang Shen. Mr. Yu Wang Shen is deemed to have interest in 800,000,000 shares held by China Seed International Limited.

## **REPORT OF THE DIRECTORS**

Save as disclosed above, as at 31 December 2012, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES**

Other than the share option scheme as disclosed under the heading "Share Option Scheme" above, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or the chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right.

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

During the year, the Company had not purchased, sold or redeemed any of its listed securities.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 25 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **MANAGEMENT CONTRACTS**

Save as disclosed in note 25 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **CONNECTED TRANSACTIONS**

All significant connected transactions entered by the Company during the year ended 31 December 2012 are disclosed in note 25 to the financial statements.

### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

### **RETIREMENT BENEFITS SCHEME**

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the statement of comprehensive income as incurred.

## REPORT OF THE DIRECTORS

For the year ended 31 December 2012, no forfeited contribution to the retirement benefits scheme was credited to the statement of comprehensive income (2011: nil).

### CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 8 to 13.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2012.

### AUDITORS

The financial statements for the year ended 31 December 2011 and year ended 31 December 2012 have been audited by ANDA CPA Limited who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of ANDA CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By order of the Board

**Xiang Xin**

*Executive Director and Chief Executive Officer*

Hong Kong, 11 March 2013



# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF CHINA INNOVATION INVESTMENT LIMITED

中國創新投資有限公司

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements of China Innovation Investment Limited (the "Company") set out on pages 26 to 29 which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2012, and of its results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **ANDA CPA Limited**

*Certified Public Accountants*

### **Sze Lin Tang**

Practising Certificate Number P03614

Hong Kong, 11 March 2013

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
REVENUE	7	662	5,867
OTHER INCOME AND GAINS	7	1,056	2,170
Net realised losses on disposal of financial assets at fair value through profit or loss		(164)	(113)
Unrealised holding gain from financial assets at fair value through profit or loss		481	–
Administrative and other operating expenses		(9,152)	(8,613)
Impairment of an available-for-sale investment	8	(78,300)	–
<b>LOSS BEFORE TAX</b>	8	(85,417)	(689)
Income tax expense	10	–	–
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		(85,417)	(689)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		–	–
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		(85,417)	(689)
<b>LOSS PER SHARE</b>	11		
Basic		(1.22 cents)	(0.01 cents)
Diluted		N/A	N/A

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	2,391	3,426
Available-for-sale investments	14	270,764	313,274
Deposit for acquisition of an available-for-sale investment	15	–	35,790
<b>Total non-current assets</b>		<b>273,155</b>	352,490
<b>CURRENT ASSETS</b>			
Financial asset at fair value through profit or loss	16	10,026	–
Prepayments, deposits and other receivables	17	14,374	2,501
Cash and bank balances	18	30,763	97,909
<b>Total current assets</b>		<b>55,163</b>	100,410
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	19	21,618	60,783
<b>Total current liabilities</b>		<b>21,618</b>	60,783
<b>NET CURRENT ASSETS</b>		<b>33,545</b>	39,627
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>306,700</b>	392,117
<b>NET ASSETS</b>		<b>306,700</b>	392,117
<b>EQUITY</b>			
Issued share capital	20	69,794	69,794
Reserves	21	236,906	322,323
<b>Total equity</b>		<b>306,700</b>	392,117
Net asset value per share	23	HK\$0.04	HK\$0.06

Approved by:

**Xiang Xin**  
Director

**Li Zhou**  
Director

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	69,794	313,682	28,818	(19,488)	392,806
Total comprehensive loss for the year	–	–	–	(689)	(689)
At 31 December 2011 and 1 January 2012	69,794	313,682	28,818	(20,177)	392,117
Total comprehensive loss for the year	–	–	–	(85,417)	(85,417)
At 31 December 2012	69,794	313,682	28,818	(105,594)	306,700

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK\$'000	2011 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(85,417)	(689)
Adjustments for:		
Impairment of an available-for-sale investment	78,300	–
Depreciation	1,035	1,148
Interest income	(491)	(5,867)
Dividend income from listed investments	(171)	–
Unrealised holding gain from financial assets at fair value through profit or loss	(481)	–
Payment for acquisition of financial assets at fair value through profit or loss	(9,545)	–
Fixed assets written off	–	6
Gain on disposal of property, plant and equipment and investment properties	–	(2,065)
Operating cash flows before working capital changes	(16,770)	(7,467)
Change in prepayments, deposits and other receivables	587	321
Change in other payables and accruals	827	(150)
<b>Net cash used in operating activities</b>	<b>(15,356)</b>	<b>(7,296)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for deposit for acquisition of available-for-sale investments	–	(35,790)
Payment for acquisition of available-for-sale investments	–	(1,415)
Proceeds from disposals of property, plant and equipment and investment properties	–	58,535
Settlement of consideration for acquisition of available-for-sale investments	(39,992)	–
Deposit paid for acquisition of an investment	(12,460)	–
Purchase of property, plant and equipment	–	(155)
Interest received	491	2,884
Dividend received arising from a listed investment	171	–
<b>Net cash (used in)/generated from investing activities</b>	<b>(51,790)</b>	<b>24,059</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(67,146)</b>	<b>16,763</b>
Cash and cash equivalents at beginning of year	97,909	81,146
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>30,763</b>	<b>97,909</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	21,226	20,474
Non-pledged time deposits with original maturity of less than three months when acquired	9,537	77,435
	<b>30,763</b>	<b>97,909</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 1. CORPORATE INFORMATION

China Innovation Investment Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at 26/F., 9 Des Voeux Road West, Sheung Wan, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 August 2002.

The Company’s principal activity has not changed during the year and is principally engaged in investment holding. Its principal investment objective is to achieve short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong (“HK”) and the People’s Republic of China (the “PRC”).

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

In the current year, the Company has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. The adoption of these new and revised HKFRSs did not result in significant changes to the Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current year and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing on Securities of the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for investment properties and certain financial asset at fair value through profit or loss, which are stated at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currency translation

#### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

#### *Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms – 20%
Office equipments	20%
Furniture and fixtures	20%
Yacht	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### Operating leases

Leases that do not substantially transfer to the Company all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### **Investments**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

Available-for-sale investments: Available-for-sale investments are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale investments whose fair value cannot be reliably measured, are stated at cost less accumulated impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale investments are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

### **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Trade and other receivables** *(Continued)*

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### **Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' right to receive payment are established.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Employee benefits**

Employee leave entitlements: Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Pension obligations: The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$20,000 (increased to HK\$25,000 starting from 1 June 2012) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits: Termination benefits are recognised when, and only when, the Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### **Share-based payment**

The Company issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Company receives the services and is recognised as an expense.

### **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Impairment of assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Related parties**

A related party is a person or entity that is related to the Company.

- (A) A person or a close member of that person's family is related to the Company if that person:
- (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (A).
  - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### **Events after the reporting period**

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

#### *Valuation of available-for-sale investments*

The available-for-sale investments are measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Useful lives of property, plant and equipment*

The management of the Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### *Impairment of available-for-sale investments*

The management of the Company assesses the possible impairment of the Company's available-for-sale investments at end of each reporting period.

At the end of the reporting period, the carrying value of available-for-sale investments were approximately HK\$270,764,000 (2011: HK\$313,274,000). This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's major financial instruments include investments and receivables, financial assets at fair value through profit or loss, cash and bank balances and accruals and payables. The Company's activities expose to a variety of financial risk: foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (a) Foreign currency risk

Foreign exchange risk mainly arises from monetary assets and liabilities denominated in a currency that is not the functional currency of the Company. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

During the reporting period, certain assets of the Company are denominated in Renminbi ("RMB").

At 31 December 2012, if Hong Kong dollar had weakened or strengthened by 5% (2011: 5%) against RMB, with all other variables held constant, loss before tax for the reporting period would have been approximately HK\$1,408,000 (2011: approximately HK\$4,513,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of bank and cash balances in Hong Kong.

The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### (b) Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank deposit.

The Company currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

At the end of the reporting period, if interest rates had been increased or decreased by 100 basis points (2011: 100 basis points) and all other variables were held constant, the loss before tax of the Company would decrease or increase by approximately HK\$290,000 (2011: approximately HK\$903,000).

### (c) Credit risk

The Company is exposed to credit risk mainly in relation to its securities trading and interest receivables of the Company, deposits with banks and brokerage companies.

In order to minimise the credit risk, the management of the Company reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Company's credit risk is significantly reduced.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and authorised banks in the PRC with high credit ratings. The credit risk on receivables is limited because the Company only carries on business with reputable securities companies.

The Company does not provide any guarantee which would expose the Company to credit risk.

### (d) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. available-for-sale investments, financial assets at fair value through profit or loss and interest receivables) and projected cash flows from operations.

The following table detailed the contractual maturity of the Company for its financial liabilities. The table has been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company can be required to pay. The amounts represented both interest and principal cash flow.

	At 31 December 2012				
	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 months to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Other payables and accruals	21,384	234	–	–	21,618

  

	At 31 December 2011				
	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 months to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Other payables and accruals	60,632	151	–	–	60,783

### (e) Fair value

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values, except for the available-for-sale investments are measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

### (f) Price risk

At 31 December 2012, if the share prices of the listed securities (note 16) increase/decrease by 10%, loss after tax for the year would have been approximately of HK\$1,003,000 (2011: nil) lower/higher, arising as a result of the fair value gain/loss of the listed securities.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. OPERATING SEGMENT INFORMATION

The Company's operating segment is investment holding which comprises the investing in listed and unlisted companies in order to achieve short and medium-term capital appreciation. Since this is the only operating segment of the Company, no further analysis thereof is presented.

### Geographical information

The Company's revenue analysed by geographical location and information about its non-current assets (excluding available-for-sale investments, and deposit for acquisition of available-for-sale investments) by geographical location are detailed below:

	Hong Kong		PRC (not including Hong Kong)		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>REVENUE</b>						
Interest income	491	5,867	–	–	491	5,867
Dividend income from listed investments	171	–	–	–	171	–
	<b>662</b>	<b>5,867</b>	<b>–</b>	<b>–</b>	<b>662</b>	<b>5,867</b>
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	2,391	3,426	–	–	2,391	3,426

## 7. REVENUE, OTHER INCOME AND GAINS

An analysis of the revenue, other income and gains of the Company are as follows:

	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>		
Interest income	491	5,867
Dividend income from listed investments	171	–
<b>Total revenue</b>	<b>662</b>	<b>5,867</b>
<b>Other income and gains</b>		
Sundry income	–	105
Net exchange gains	1,056	–
Gain on disposal of property, plant and equipment and investment properties	–	2,065
<b>Total other income and gains</b>	<b>1,056</b>	<b>2,170</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 8. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging/(crediting):

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Auditor's remuneration	145	116
Under-provision in prior years	9	–
	<b>154</b>	<b>116</b>
Depreciation	1,035	1,148
Investment manager's fee	704	300
Net realised losses on disposal of financial assets at fair value through profit or loss	164	113
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	2,888	2,630
Pension scheme contributions	82	77
Total employee benefits expenses	2,970	2,707
Operating lease charges		
— Hire of plant and equipment	680	540
— Land and building	960	960
Impairment of an available-for-sale investment	78,300	–
Interest income	(491)	(5,867)
Dividend income from listed investments	(171)	–
Net exchange gains	(1,056)	–
Gain on disposal of property, plant and equipment and investment properties	–	(2,065)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

### (a) Directors' emoluments

	For the year ended 31 December 2012				
	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Equity- settled share option benefits <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive directors:</b>					
Xiang Xin	60	–	–	–	60
Chan Cheong Yee	60	–	–	–	60
Li Zhou (appointed on 2 June 2011)	–	159	–	–	159
Jook Chun Kui Raymond (appointed on 1 March 2012 and re-designated to non-executive Director on 20 December 2012)	45	–	–	–	45
	<b>165</b>	<b>159</b>	–	–	<b>324</b>
<b>Non-executive directors:</b>					
Ng Kwong Chue, Paul	30	–	–	–	30
Jook Chun Kui Raymond (re-designated from executive Director on 20 December 2012)	5	–	–	–	5
Wang Yaomin (appointed on 4 March 2013)	–	–	–	–	–
	<b>35</b>	–	–	–	<b>35</b>
<b>Independent non-executive directors:</b>					
David Wang Xin	30	–	–	–	30
Zang Hong Liang	30	–	–	–	30
Lee Wing Hang	30	–	–	–	30
	<b>90</b>	–	–	–	<b>90</b>
<b>Total</b>	<b>290</b>	<b>159</b>	–	–	<b>449</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(Continued)

### (a) Directors' emoluments (Continued)

	For the year ended 31 December 2011				
		Salaries, allowances and benefits	Equity- settled share option benefits	Pension scheme contribution	Total
	Fees HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>					
Xiang Xin	5	–	–	–	5
Chan Cheong Yee	5	–	–	–	5
Li Zhou (appointed on 2 June 2011)	3	209	–	–	212
Wong Chak Keung (resigned on 20 June 2011)	–	321	–	6	327
	13	530	–	6	549
<b>Non-executive director:</b>					
Ng Kwong Chue, Paul	5	–	–	–	5
<b>Independent non-executive directors:</b>					
David Wang Xin	5	–	–	–	5
Zang Hong Liang	5	–	–	–	5
Lee Wing Hang	5	5	–	–	10
	15	5	–	–	20
<b>Total</b>	<b>33</b>	<b>535</b>	<b>–</b>	<b>6</b>	<b>574</b>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Company; or as compensation for loss of office (2011: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(Continued)

### (b) Five highest paid individuals

Of the five highest paid individuals of the Company, one (2011: two) was Director whose emoluments are set out in the above. For the year ended 31 December 2012, the remaining four (2011: three) employees of the Company were as follows:

	2012 HK\$'000	2011 HK\$'000
Salaries, allowances and benefit-in-kind	909	1,084
Equity-settled share-based payments	–	–
Retirement benefit costs	42	35
	951	1,119

The number of employees whose remuneration fell within the following bands are as follows:

	Number of individuals	
	2012	2011
HK\$1,000,000 or below	4	3

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2012 and 2011 since the Company has no assessable profit arose in Hong Kong for both years.

The reconciliation between the income tax expense and the loss before tax is as follows:

	2012 HK\$'000	2011 HK\$'000
Loss before tax	(85,417)	(689)
Tax at the statutory tax rate	(14,094)	(114)
Income not subject to tax	(81)	(407)
Expenses not deductible for tax	12,920	–
Temporary differences not recognised	119	334
Tax loss not recognised	1,136	187
Tax charge at the Company's effective tax rate	–	–

As at 31 December 2012, the Company had unused tax losses of approximately HK\$34,533,000 (2011: HK\$27,644,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

## 11. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$85,417,000 (2011: approximately HK\$689,000) and the weighted average number of ordinary shares of 6,979,385,753 (2011: 6,979,385,753) in issue during the year.

### Diluted loss per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the years ended 31 December 2012 and 2011.

## 12. DIVIDENDS

The Directors did not recommend the declaration of any dividend for the years ended 31 December 2012 and 2011.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Office equipments <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Yacht <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1.1.2011	2,400	152	314	4,026	6,892
Additions	136	–	19	–	155
Disposal	(1,561)	(118)	(178)	–	(1,857)
Write off	–	–	(13)	–	(13)
At 31.12.2011 and 1.1.2012	975	34	142	4,026	5,177
At 31.12.2012	975	34	142	4,026	5,177
<b>ACCUMULATED DEPRECIATION</b>					
At 1.1.2011	751	41	102	268	1,162
Charge for the year	287	15	40	806	1,148
Disposal	(468)	(33)	(51)	–	(552)
Write back	–	–	(7)	–	(7)
At 31.12.2011 and 1.1.2012	570	23	84	1,074	1,751
Charge for the year	195	7	28	805	1,035
At 31.12.2012	765	30	112	1,879	2,786
<b>CARRYING AMOUNT</b>					
At 31.12.2012	210	4	30	2,147	2,391
At 31.12.2011	405	11	58	2,952	3,426

## 14. AVAILABLE-FOR-SALE INVESTMENTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Unlisted securities, at cost		
Equity securities	353,564	317,774
Less: Impairment	(82,800)	(4,500)
	270,764	313,274

The unlisted securities are stated at cost less accumulated impairment loss as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Particulars of the Company's available-for-sale investments as at 31 December 2012 are as follows:

Name of investee company	Place of incorporation	Issued and fully paid shares held by the Company	Number of shares issued in investee company	Proportion of investee's capital owned Principal activities		2012					2011	
						Cost HK\$'000	Impairment loss HK\$'000	Carrying amount HK\$'000	Dividend income received during the year HK\$'000	Dividend cover	Net assets attributable to the Company right HK\$'000	Carrying amount HK\$'000
Blue Angel (H.K.) Limited ("Blue Angel HK")	Hong Kong	48,500 class B ordinary shares*	28,500 class A ordinary shares and 48,500 class B ordinary shares	63%	Investment holding (note (i))	82,800	(82,800)	–	Nil (2011: nil)	N/A	5,221	78,300
United Crown Century Company Limited ("United Crown")	Hong Kong	12,644 class B ordinary shares*	9,356 class A ordinary shares and 14,644 class B ordinary shares	53%	Investment holding (note (ii))	78,700	–	78,700	Nil (2011: nil)	N/A	100,306	78,700
Aesthetic Vision Limited ("Aesthetic")	Hong Kong	8,500 class B ordinary shares*	1,000 class A ordinary shares and 9,000 class B ordinary shares	85%	Investment holding (note (iii))	78,349	–	78,349	Nil (2011: nil)	N/A	96,301	78,349
Topsun Creation Limited ("Topsun")	Hong Kong	2,710 class B ordinary shares*	690 class A ordinary shares and 3,310 class B ordinary shares	68%	Investment holding (note (iv))	77,925	–	77,925	Nil (2011: nil)	N/A	79,072	77,925
Grand Far Sky Limited (formerly known as Grand Far Limited) ("Grand Far Sky")	Hong Kong	3,000 class B ordinary shares*	2,500 class A ordinary shares and 7,000 class B ordinary shares	32%	Investment holding (note (v))	35,790	–	35,790	Nil	N/A	35,872	–
						353,564	(82,800)	270,764				313,274

\* The Class B shares rank passu with Class A shares in all aspects except for their non-voting rights, Class B shares has no voting right.

These companies are not treated as associates or subsidiaries because the Company is not in a position to control or exercise any significant influence over the financial and operating policies of this company or to participate in its operations.

### Background information of the investee companies

Notes:

#### (i) Blue Angel HK

Blue Angel HK is incorporated in Hong Kong and is principally engaged in investment holding. The principal activities of Blue Angel HK's group has not been changed during the years 2012 and 2011.

In prior years, Blue Angel HK indirectly held 38.5% equity interest in a company which was established in the PRC, and was principally engaged in manufacturing and trading of 發光二極管芯片. This company was deregistered during the year ended 31 December 2009, and the investment cost of HK\$4,500,000 was impaired since year 2005.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

### Background information of the investee companies (Continued)

Notes: (Continued)

(i) **Blue Angel HK** (Continued)

The principal asset of Blue Angel HK is the direct 100% equity interest in a company established in the PRC, the Blue Angel (China) Company Limited\* (藍色天使(中國)有限公司) (“Blue Angel China”), which is principally engaged in producing and assembly of energy-saving media terminals products with the use of “New Energy”, “New Light”, “New Material” technologies, so as to develop a completed industry chain of four new energy and provide a one-stop production setting with synergy effect. During the reporting period, Blue Angel HK has incorporated another wholly owned subsidiary, the Blue Charm Limited\* (藍色魅力有限公司) (“Blue Charm”) in the PRC. Blue Charm has not yet started operation as at 31 December 2012.

On 7 November 2012, the bank account of the Blue Angel China was frozen by the China Jiangsu Province Zhenjiang New District Public Security Bureau. Reference of this event is made to the company’s announcements dated 16 November 2012, 22 November 2012, 26 November 2012, 1 December 2012 and 11 December 2012, the freezing of bank account was subsequently revoked on 22 February 2013. Due to the capital of Blue Angel China had been occupied for a long time and the time of recovery was unknown, Blue Angel China has insufficient funds to carry out business activities. Due to the deterioration of business operations and assets quality and on prudent approach, the Company impaired the balance of the carrying amount of the investment of approximately HK\$78,300,000, and charged to the statement of comprehensive income for the year ended 31 December 2012 after careful consideration.

\* The English name is for identification purpose only

(ii) **United Crown**

United Crown is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of United Crown is the indirect 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development of energy saving eco-material for walls. The principal activities and assets in United Crown’s group has not been changed during the years 2012 and 2011.

(iii) **Aesthetic**

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the direct 100% equity interest in a company established in the PRC, which is principally engaged in manufacturing of LED lighting. Aesthetic, through the subsidiary, possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. The principal activities and assets in Aesthetic’s group has not been changed during the years 2012 and 2011.

(iv) **Topsun**

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Topsun is the direct 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development, manufacturing and distribution of products applying the solar energy technology. A new energy battery is one of the major products of Topsun. This battery has the characteristics of high capacity, fully sealed and maintenance-free, and are substantially used in tanks, submarines and barracks as well as civil vehicles and construction. Topsun is also planning to step into the industry of photovoltaic integration. The principal activities and assets in Topsun’s group has not been changed during the years 2012 and 2011.

(v) **Grand Far Sky**

The Company acquired an investment in Grand Far Sky during the reporting period, this transaction is detailed in the Company’s announcements dated 29 August 2012 and 18 September 2012.

Grand Far Sky is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Grand Far Sky is the direct 95% equity interest in a company established in the PRC, which is principally engaged in providing management of fund and funding platform to its customers, other third parties and the Company’s long-term equity investments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 15. DEPOSIT FOR ACQUISITION OF AVAILABLE-FOR-SALE INVESTMENT

	2012 HK\$'000	2011 HK\$'000
Deposit for acquisition of available-for-sale investment (note i)	–	35,790

(i) The deposit was transferred to available-for-sale investment during the reporting period.

## 16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK\$'000
Equity securities listed in Hong Kong, at cost	9,545
Net unrealised holding gains	481
Fair value as at 31 December	10,026

The fair values of the listed securities are based on quoted market prices.

Particulars of the Company's financial asset at fair value through profit or loss as at 31 December 2012 is as follows:

Name of investee company	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised holding gains HK\$'000	Dividend income received during the year HK\$'000
iShares MSCI China Index ETF (a Sub-Fund of iShares Asia Trust*)	900,000	less than 1%	9,545	10,026	481	171

\* iShares Asia Trust (the "Trust") is an umbrella unit trust governed by its Trust Deed dated 16th November 2001, as amended, and authorised by the Securities & Futures Commission of Hong Kong pursuant to Section 104(1) of the Securities and Futures Ordinance. As at 30th June 2012, the Trust has established fourteen sub-funds. The iShares MSCI China Index ETF is principally engaged in investment holdings of securities in Hong Kong and elsewhere.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Prepayments	1,741	2,268
Deposits	161	161
Deposit paid for acquisition of an investment	12,460	–
Other receivables	12	72
	<b>14,374</b>	<b>2,501</b>

## 18. CASH AND BANK BALANCES

	2012 HK\$'000	2011 HK\$'000
Cash at banks		
Bank balances	19,414	19,121
Time deposits	9,537	77,435
	<b>28,951</b>	<b>96,556</b>
Cash on hand	3	3
Cash held in securities account of securities companies	1,809	1,350
	<b>30,763</b>	<b>97,909</b>

Cash at banks and held in securities account of securities companies earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for various periods from 1 day to 1 month depending on the immediate cash requirements of the Company and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

At the end of the reporting period, the bank and cash balances of the Company denominated in "RMB" amounted to approximately RMB21,794,000 (2011: approximately RMB75,012,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 19. OTHER PAYABLES AND ACCRUALS

	2012 HK\$'000	2011 HK\$'000
Consideration for acquisition of investment (note (a))	21,141	60,025
Other payables	243	605
Accruals	234	153
	<b>21,618</b>	<b>60,783</b>

Note:

- (a) At end of the reporting period, the amount represented part of the consideration payable for acquisition of available-for-sale investments as below, which has not been settled:

Name of investee company	Details of acquisition	2012 HK\$'000	2011 HK\$'000
Blue Angel HK	27,000 Blue Angel HK Class B shares	8,573	8,573
United Crown	8,000 United Crown Class B shares	–	39,992
Topsun	1,100 Topsun Class B Shares and the shareholder loan to Topsun amounting to RMB27,000,000, the remaining balance approximately of RMB10,087,000 (2011: RMB10,087,000)	12,568	11,460
		<b>21,141</b>	<b>60,025</b>

## 20. SHARE CAPITAL

	2012 HK\$'000	2011 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
Issued and fully paid:		
6,979,385,753 ordinary shares of HK\$0.01 each	69,794	69,794

### (a) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2012 and 2011.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 20. SHARE CAPITAL *(Continued)*

### (b) Warrants

The Company had 800,000,000 warrants granted on 27 December 2007 which remained outstanding as at 31 December 2012 entitling the holder of the warrants to subscribe for 800,000,000 shares of HK\$0.01 each of the Company at an exercise price of HK\$0.20 each on or before 29 January 2013. No Warrants has been exercised during the two years ended 31 December 2012 and 2011.

## 21. RESERVES

### (i) Share premium account

Pursuant to the Companies Law (1998 Revision) of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

### (ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the financial statements.

## 22. SHARE OPTIONS

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme"), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part-time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 22. SHARE OPTIONS (Continued)

Details of the options granted under the Scheme and outstanding at 31 December 2012 and 2011 are as follows:

Date of grant	Exercise period	Outstanding as at 1 January 2011	Lapsed during the year	Outstanding at 31 December 2011	Lapsed during the year	Outstanding at 31 December 2012	Exercise price per share option HK\$
29.1.2003	28.8.2003 to 27.8.2013	119,243,183	(104,901,217)	14,341,966	–	14,341,966	0.0244
14.1.2008	1.2.2008 to 31.1.2011	145,000,000	(145,000,000)	–	–	–	0.2000
		264,243,183	(249,901,217)	14,341,966	–	14,341,966	

## 23. NET ASSET VALUE PER SHARE

As at 31 December 2012, the net asset value per share of the Company was HK\$0.04 (2011: HK\$0.06). The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2012 of approximately HK\$306,700,000 (2011: HK\$392,117,000) and 6,979,385,753 (2011: 6,979,385,753) ordinary shares in issue at the end of the reporting period.

## 24. COMMITMENTS

### (a) Lease commitments

As at 31 December 2012, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	2012 HK\$'000	2011 HK\$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings and motor vehicles:		
— within one year	1,500	1,500
— in the second to fifth years inclusive	1,020	2,520
	2,520	4,020

Operating lease payments represent rentals payable by the Company for its offices and motor vehicles. Leases are negotiated for an average term of 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 24. COMMITMENTS (Continued)

### (b) Capital commitments

The Company had the following capital commitments at the end of the reporting period:

	2012 HK\$'000	2011 HK\$'000
Commitment on:		
Acquisition of an available-for-sale investment	–	40,263

## 25. RELATED PARTY TRANSACTIONS

- (i) Save as those disclosed elsewhere in the financial statements, the Company had the following material transactions with related parties and China Everbright Securities (HK) Limited during the year:

	Notes	2012 HK\$'000	2011 HK\$'000
Investment management fee paid to China Everbright Securities (HK) Limited	(a)	704	300
Rental expenses paid to New Era Group (China) Limited	(b)	960	960
Rental deposit paid to New Era Group (China) Limited	(b)	160	160
Proceeds from disposal of investment properties received from New Era Group (China) Limited	(c)	–	1,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 25. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

Notes:

- (a) The Company entered into an investment management agreement with China Everbright Securities (HK) Limited (“CES”) for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served.

In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company’s final audited result for the year. On 23 October 2007, a First Supplemental Agreement was entered into between the Company and CES whereas the service fee was fixed at HK\$300,000 per annum by a monthly payment of HK\$25,000 (“Investment Management Fee”) and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES.

On 28 February 2012, the Company and CES entered into of the Second Supplemental Agreement. Pursuant to this agreement, the Investment Management Fee is increased to HK\$960,000 per annum with effect from 20 May 2012, and payable monthly by the Company to China Everbright at HK\$80,000 per month. Furthermore, it was agreed that the Company and CES shall not terminate the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) within the twelve months commencing from 20 May 2012.

- (b) The Company entered into a tenancy agreement (the “Tenancy Agreement”) with New Era Group (China) Limited (“NEG”), a company of which Mr. Xiang Xin, a director of the Company has control, for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position. During the last reporting period, the Tenancy agreement had been renewed for further 3 years commenced from 1 July 2011 with the same terms and conditions.
- (c) The Company entered into a sale and purchase agreement with NEG on 9 May 2010. Pursuant to which, the Company agreed to sell investment property located in Hong Kong to NEG at a consideration of HK\$999,900.

(ii) Compensation of key management personnel of the Company:

	2012 HK\$'000	2011 HK\$'000
Short term employee benefits	449	568
Post-employment benefits	–	–
Pension	–	6
<b>Total compensation paid to key management personnel</b>	<b>449</b>	<b>574</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 25. RELATED PARTY TRANSACTIONS (Continued)

- (iii) The investment manager was remunerated based on their respective investment management agreement as follows:

	2012 HK\$'000	2011 HK\$'000
China Everbright Securities (HK) Limited	704	300

## 26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**31 December 2012**

*Financial assets*

	Loans and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	–	–	270,764	270,764
Financial assets at fair value through profit or loss (note)	–	10,026	–	10,026
Financial assets included in prepayments, deposits and other receivables	14,374	–	–	14,374
Cash and bank balances	30,763	–	–	30,763
	45,137	10,026	270,764	325,927

Note: Financial assets at fair value through profit or loss is stated at fair value and such fair value is measured using quoted price in active market (Level 1).

*Financial liabilities*

	Financial liabilities at amortised cost HK\$'000
Financial liabilities included in other payables and accruals	21,618

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 26. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2011

*Financial assets*

	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments	–	313,274	313,274
Deposit for acquisition of an available-for-sale investment	35,790	–	35,790
Financial assets included in prepayments, deposits and other receivables	2,501	–	2,501
Cash and bank balances	97,909	–	97,909
	<b>136,200</b>	<b>313,274</b>	<b>449,474</b>

*Financial liabilities*

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	60,783

## 27. CONTINGENT LIABILITIES

The Company did not have any significant contingent liabilities at 31 December 2012 and 2011.

## 28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 11 March 2013.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

### RESULTS

	Year ended 31 December				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
REVENUE	662	5,867	2,848	14,801	17,922
Profit/(loss) before tax	(85,417)	(689)	3,586	30,739	(28,165)
Income tax	–	–	–	–	–
Profit/(loss) attributable to owners of the Company	(85,417)	(689)	3,586	30,739	(28,165)

### ASSETS AND LIABILITIES

	As at 31 December				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Total assets	328,318	452,900	404,569	348,224	258,882
Total liabilities	(21,618)	(60,783)	(11,763)	(319)	(7,340)
Net assets	306,700	392,117	392,806	347,905	251,542