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## **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)**

### **2015 ANNUAL RESULTS ANNOUNCEMENT**

The directors of China Innovation Investment Limited (the “Company”) announced the audited annual results of the Company for the year ended 31 December 2015 as follows:

#### **RESULTS**

Gross sales proceeds of securities for the year ended 31 December 2015 amounted to HK\$284,362,000 which making gains on listed securities investment was HK\$13,394,000, while the gross sales proceeds of securities for the year ended 31 December 2014 amounted to HK\$70,884,000 which making gains on listed securities investment was HK\$1,925,000. Revenue for the year ended 31 December 2015 amounted to HK\$1,509,000, representing a 1,655% increase when compared with the revenue of HK\$86,000 for the year ended 31 December 2014. The increase was mainly attributable to the increase in the interest income.

Loss for the year and attributable to owners of the Company in 2015 amounted to approximately HK\$138,000, while the loss for the year and attributable to owners of the Company in 2014 amounted to approximately HK\$15,913,000. The loss decrease for the year because of the well investment performance for the year.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Gross sales proceeds of securities		<u>284,362</u>	<u>70,884</u>
REVENUE	4	<b>1,509</b>	86
OTHER INCOME AND GAINS	4	<b>841</b>	537
Net realised gains on disposal of financial assets at fair value through profit or loss		<b>2,610</b>	1,990
Unrealised holding gains/(losses) from financial assets and liabilities at fair value through profit or loss		<b>10,784</b>	(65)
Administrative and other operating expenses		<u>(15,882)</u>	<u>(18,461)</u>
LOSS BEFORE TAX	5	<b>(138)</b>	(15,913)
Income tax expense	6	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u><b>(138)</b></u>	<u>(15,913)</u>
Loss per share	8		
Basic		<u><b>(0.002 cents)</b></u>	<u>(0.228 cents)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>13</b>	581
Available-for-sale investments	9	<b>270,764</b>	270,764
Total non-current assets		<b>270,777</b>	271,345
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	<b>70,960</b>	2,605
Prepayments, deposits and other receivables		<b>28,893</b>	9,401
Cash and bank balances	11	<b>113,567</b>	23,732
Total current assets		<b>213,420</b>	35,738
<b>CURRENT LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	10	<b>–</b>	14
Other payables and accruals		<b>216</b>	13,141
Total current liabilities		<b>216</b>	13,155
NET CURRENT ASSETS		<b>213,204</b>	22,583
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>483,981</b>	293,928
NET ASSETS		<b>483,981</b>	293,928
<b>EQUITY</b>			
Issued share capital	12	<b>85,144</b>	69,794
Reserves		<b>398,837</b>	224,134
TOTAL EQUITY		<b>483,981</b>	293,928

Notes:

## 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 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 Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. 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 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) by geographical location are detailed below:

	Hong Kong		PRC(not including Hong Kong)		Total	
	2015 HK\$’000	2014 HK\$’000	2015 HK\$’000	2014 HK\$’000	2015 HK\$’000	2014 HK\$’000
REVENUE						
Interest income	1,285	86	–	–	1,285	86
Dividend income from listed investments	224	–	–	–	224	–
	<u>1,509</u>	<u>86</u>	<u>–</u>	<u>–</u>	<u>1,509</u>	<u>86</u>
NON-CURRENT ASSETS						
Property, plant and equipment	13	581	–	–	13	581
	<u>13</u>	<u>581</u>	<u>–</u>	<u>–</u>	<u>13</u>	<u>581</u>

#### 4 REVENUE, OTHER INCOME AND GAINS

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>		
Interest income	<b>1,285</b>	86
Dividend income from listed investments	<b>224</b>	–
Total revenue	<b>1,509</b>	86
Sundry income	<b>841</b>	10
Gain on disposal of available-for-sale investments	–	527
Other income and gains	<b>841</b>	537

#### 5 LOSS BEFORE TAX

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	<b>185</b>	170
Depreciation	<b>568</b>	836
Investment manager's fee	<b>480</b>	480
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	<b>909</b>	936
Share-based payment	–	6,165
Pension scheme contributions	<b>33</b>	39
Total employee benefits expenses	<b>942</b>	7,140
Operating lease charges	<b>960</b>	960
Interest income	<b>(1,285)</b>	(86)
Dividend income from listed investments	<b>(224)</b>	–
Net exchange losses	<b>9,655</b>	126

## 6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2015 and 2014 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax	<u>(138)</u>	<u>(15,913)</u>
Tax at the statutory tax rate of 16.5% (2014: 16.5%)	(23)	(2,626)
Income not subject to tax	(249)	(14)
Expenses not deductible for tax	1,687	2,144
Utilisation of tax losses previously not recognised	(1,415)	–
Tax loss not recognised	<u>–</u>	<u>496</u>
Tax charge at the Company's effective tax rate	<u>–</u>	<u>–</u>

As at 31 December 2015, the Company had unused tax losses of approximately HK\$37,621,000 (2014: HK\$46,198,000) 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.

## 7 DIVIDENDS

The Directors did not recommend the declaration of any dividend for the years ended 31 December 2015 and 2014.

## 8 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\$138,000 (2014: approximately HK\$15,913,000) and the weighted average number of ordinary shares of 7,787,330,958 (2014: 6,979,385,753) in issue during the year.

### Diluted loss per share

No diluted earnings per share were presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2014.

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2015.

## 9 AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Unlisted securities, at cost		
Equity securities — Hong Kong	353,564	353,564
Less: Impairment	<u>(82,800)</u>	<u>(82,800)</u>
	<u>270,764</u>	<u>270,764</u>

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.

Particulars of the Company's available-for-sale investments as at 31 December 2015 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	2015				2014		
						Impairment	Carrying amount	Dividend income received during the year	Dividend cover	Net assets attributable to the Company	Carrying amount	
												Cost
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 (2014: nil)	N/A	-	-
United Crown Future Company Limited ("United Overseas")	BVI	1,621 class B ordinary shares	1,200 class A ordinary shares and 1,877 class B ordinary shares	53%	Investment holding (note ii)	78,700	-	78,700	Nil (2014: nil)	N/A	108,583	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 (2014: nil)	N/A	135,355	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 (2014: nil)	N/A	111,793	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 (2014: nil)	N/A	37,259	35,790
						<u>353,564</u>	<u>(82,800)</u>	<u>270,764</u>				<u>270,764</u>

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

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 these companies or to participate in their 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 2015 and 2014.

In prior years, Blue Angel 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 subsidiary was deregistered during the year ended 31 December 2009, and the investment cost of HK\$4,500,000 was impaired since year 2005.

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 year ended 31 December 2011, Blue Angel HK had incorporated another wholly owned subsidiary, the Blue Charm Company Limited\* (藍色魅力有限公司) ("Blue Charm") in the PRC, and plans to expand its capacity in manufacturing of the same products as Blue Angel China.

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 profit or loss for the year ended 31 December 2012 after careful consideration.

\* *The English name is for identification purpose only*

### (ii) United Overseas

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. In accordance with the reorganization agreement entered into between the Company, the remaining two shareholders of United Crown (collectively the "Former Shareholders") and United Overseas on 7 January 2014, United Crown transferred its 100% equity interest in United Overseas to the Former Shareholders according to their respective shareholding in United Crown (the "Reorganisation"). After the Reorganisation is completed, United Crown was disposed of on 10 January 2014 and the Company holds the equity interest in United Overseas directly.



**(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 color 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 2015 and 2014.

**(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 2015 and 2014.

**(v) Grand Far Sky**

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 it customers, other third parties and the Company's long-term equity investment. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2015 and 2014.

**10 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Financial assets at fair value through profit or loss</b>		
Equity securities, at fair value		
Listed in Hong Kong	<b>70,960</b>	2,008
Listed in the United States	—	597
	<u><b>70,960</b></u>	<u>2,605</u>
Market value of listed securities		
	<u><b>70,960</b></u>	<u>2,605</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Futures, at fair value	—	14
	<u>—</u>	<u>14</u>

The fair values of the listed securities are based on current bid prices.

Particulars of the Company's investments are as follows:

Name of investee company	Notes	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised holding (losses)/ gains HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
<b>At 31 December 2015</b>								
CK Hutchison Holdings Ltd ("CK Hutchison")	1	100,000	less than 1%	10,676	10,460	(216)	70	11,410
Modern Land (China) Co., Ltd ("Modern Land")	2	27,500,000	1.72%	49,500	60,500	11,000	–	67,613
<b>At 31 December 2014</b>								
China Maple Leaf Education Systems Limited ("China Maple Leaf")		40,000	less than 1%	91	98	7	–	17
New China Life Insurance Company Limited ("New China Life")		6,000	less than 1%	232	235	3	–	313
China Overseas Land & Investment Ltd. ("China Overseas")		20,000	less than 1%	458	461	3	–	298
Tencent Holdings Limited ("Tencent")		5,000	less than 1%	576	562	(14)	–	47
Value Partners Group Limited ("Value Partners")		100,000	less than 1%	681	652	(29)	–	150
Alibaba Group Holding Limited ("Alibaba")		300	less than 1%	256	242	(14)	–	6
Facebook, Inc. ("Facebook")		400	less than 1%	247	242	(5)	–	40
Market Vectors Russia ETF ("Market Vectors")		1,000	less than 1%	115	113	(2)	–	118

Notes:

1. CK Hutchison was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 0001). The principal activities of CK Hutchison are property development and investment, hotel and serviced suite operation, property and project management, and investment in infrastructure businesses and securities, ownership and leasing of movable assets. For the six months period ended 30 June 2015, the unaudited consolidated profit was approximately of HK\$101,858,000,000. At 30 June 2015, the unaudited consolidated net assets was approximately of HK\$440,389,000,000.
2. Modern Land was incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange (stock code: 1107). The principal activities of Modern Land are property development, property investments, real estate investment trusts and other investments. For the six months period ended 30 June 2015, the unaudited consolidated profit was approximately of RMB284,163,000 (equivalent to HK\$354,307,000). At 30 June 2015, the unaudited consolidated net assets was approximately of RMB3,145,660,000 (equivalent to HK\$3,933,824,000).

## 11 CASH AND CASH EQUIVALENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash at banks		
Bank balances	18,564	21,582
Time deposits	95,000	2,147
	<u>113,564</u>	<u>23,729</u>
Cash on hand	3	3
	<u>113,567</u>	<u>23,732</u>

Cash at banks 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 RMB70,000 (2014: approximately RMB8,979,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

## 12 SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
8,514,385,753 ordinary shares of HK\$0.01 each (2014: 6,979,385,753 ordinary shares of HK\$0.01 each)	<u>85,144</u>	<u>69,794</u>

A summary of the movements in the issued share capital of the Company is as follows:

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
At 1 January 2014 and 2015	6,979,386	69,794
Placing of shares (Note 12 (a))	1,395,000	13,950
Exercise of share options	140,000	1,400
	<u>8,514,386</u>	<u>85,144</u>
At 31 December 2015	<u>8,514,386</u>	<u>85,144</u>

*Notes:*

- (a) On 4 June 2015, the Company entered into a placing agreement with a placing agent in respect of the placement of 1,395,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.134 per share. The placement was completed on 23 June 2015 and the premium on the issue of shares amounting to approximately HK\$172,980,000, net of share issue expenses of approximately HK\$3,739,000, was credited to the Company's share premium account.

### **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 2015 and 2014.

### **13 NET ASSET VALUE PER SHARE**

As at 31 December 2015 and 2014, the net asset value per share of the Company was HK\$0.06 and HK\$0.04, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2014 of approximately HK\$483,981,000 (2014: HK\$293,928,000) and 8,514,385,753 (2014: 6,979,385,753) ordinary shares in issue at the end of each reporting period.

## **BUSINESS REVIEW**

The Company is an investment holding company and the Company's shares were listed on the main board of The Stock Exchange (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 (the "Listing Rules").

### **Investing in unlisted companies**

As at 31 December 2015, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future 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.

### **Investing in listed companies**

The Company focus on investing listed companies in Hong Kong and United States on short terms. For the year ended 31 December 2015, the gross sales proceeds of listed securities is HK\$284,362,000 (2014: HK\$70,884,000) and making gains on listed securities investment is HK\$13,394,000 (2014: gains HK\$1,925,000).

## **INVESTMENT PORTFOLIOS**

As at 31 December 2015, the Company holds certain listed investment which are disclosed in note 10 to the financial statement.

As at 31 December 2015, the Company holds the following unlisted investments which are also disclosed in note 9 to the financial statement:

- (i) Topsun Creation Limited ("Topsun") is incorporated in Hong Kong and principally engaged in investment holding. Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity was in relation to energy-saving batteries for new energies as its major products. The characteristics of such product are 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. No dividend was received 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 subsidiary incorporated in the PRC. 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 Future Company Limited (“United Overseas”) is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas was directly holds 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 1,621 “B” non-voting shares in United Overseas, representing 52.68% interest in the issued share capital of United Overseas. No dividend was received 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 two wholly-owned subsidiaries and both are incorporated in the PRC, of which the principal activities is producing and assembly of energy-saving media terminals products with the use of “New Energy”, “New Light”, “New Material” technologies. 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. 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.

## **LIQUIDITY AND FINANCIAL POSITION**

As at 31 December 2015, the Company had cash and bank balances of approximately HK\$113,567,000. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks.

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 2015. 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.

## COMMITMENTS

### Lease commitments

As at 31 December 2015, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Future aggregate minimum lease payments under operating leases in respect of land and buildings and motor vehicles:		
— within one year	<b>960</b>	960
— In the second to fifth years inclusive	<b>480</b>	1,440
	<b><u>1,440</u></b>	<u>2,400</u>

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.

### 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:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited (“CES”)	<b>480</b>	480
Rental expenses paid to New Era Group (China) Limited (“NEG”)	<b>960</b>	960
Rental deposit paid to NEG	<b>160</b>	160

*Notes:*

- (a) The Company entered into an investment management agreement with 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 which lasts for 3 years commenced with effect from 20 May 2013 and shall terminate on 19 May 2015. 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 CES 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.

On 19 December 2013, the Company and CES entered into of the Third Supplemental Agreement. Pursuant to this agreement, the Investment Management Fee is separated into two portions. The fixed portion of HK\$480,000 per annum with effect from 1 January 2014, and payable monthly by the Company to CES at HK\$40,000 per month. Another portion of HK\$480,000 per annum was liable only when the audited profit before tax of each financial year of the Company reaches HK\$480,000 and payable on the business date immediately after the publication of the Company's final audited result for the year. The Third Supplemental Agreement is a memorandum of the Second Supplemental Agreement and only revised the payment method as compared with the Second Supplemental Agreement. Therefore, the Company entered into the Third Supplemental Agreement did not represent a new connected transaction.

On 19 May 2015, the Company and CES entered into of the Fourth Supplemental Agreement which renewed the Third Supplemental Agreement and lasts for 3 years commenced with effect from 20 May 2015 to 19 May 2018. The terms and conditions are the same as disclosed in the Third Supplemental Agreement.

- (b) The Company entered into a tenancy agreement (the "Tenancy Agreement") with 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 year ended 31 December 2011, the Tenancy agreement had been renewed for further 3 years commenced from 1 July 2011. On 1 January 2014, the Tenancy agreement had been renewed further 3 years commenced from 1 July 2014 with the same terms and conditions.



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

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Short term employee benefits	<b>379</b>	335
Share-based payments	–	6,021
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b><u>379</u></b>	<u>6,356</u>

## **CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2015, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

## **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 securitisation 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 Future Company Limited (“United Overseas ”). Being the pioneer in the new energy-saving eco-sheet industry in the People’s Republic of China (the “PRC”) market, United Overseas mainly specialises in research and development of energy-saving eco-sheet materials for walls.

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 technologies.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in 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.

## **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 2015.

## **CAPITAL STRUCTURE**

For movement of Capital Structure of the Company, please refer to note 12 to the results announcement.

## **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.

## **CORPORATE GOVERNANCE**

The Board 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 Listing Rules.

During the year ended 31 December 2015, 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.

During the year 2015, Mr. Xiang Xin is the Chairman of the Board 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.

Mr. Xiang Xin and Mr. Kuk Peter Z became the Co-Chairman of the Board for the period from 4 June 2015 to 2 February 2016 and Ms. Chen Jiajing replaced Mr. Kuk Peter Z afterwards.

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.

## **EMPLOYEE INFORMATION**

As at 31 December 2015, the Company had 14 (2014: 11) employees and the total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$942,000 (2014: of approximately HK\$7,140,000) during the year under review. Total remuneration decreased during the year because of grant of share options during the year 2014. 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.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2015 have been agreed by the Company's auditors, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in the Company's financial statements for the year ended 31 December 2015. The work performed by ZHONGHUI ANDA in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA on the preliminary announcement.

## AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 28 August 2002 in accordance with the terms of reference set out in the Code. The Audit Committee comprises all independent non-executive Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

<b>Name of Directors</b>	<b>Attendance</b>
Mr. David Wang Xin ( <i>chairman</i> )	2/2
Mr. Zang Hong Liang	2/2
Mr. Lee Wing Hang	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed company secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company’s interim and annual reports.

## PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be published on the Stock Exchange’s and the Company’s websites in due course.

By order of the Board  
**China Innovation Investment Limited**  
**Xiang Xin**  
*Chairman and Chief Executive Officer*

Hong Kong, 24 March 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Xiang Xin (co-chairman), Mr. Chan Cheong Yee and Mr. Li Zhou; the non-executive directors of the Company are Mr. Jook Chun Kui Raymond, Mr. Sun Kuan Chi, Ms. Chen Jiajing (co-chairman), Ms. Jiang Linlin and Mr. Wang Wei; the independent non-executive directors of the Company are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang; Ms. Kung Ching is an alternate director to Mr. Xiang Xin.*