

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 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 2012 as follows:

RESULTS

Revenue for the year ended 31 December 2012 amounted to HK\$662,000, representing a 89% decrease when compared with the revenue of HK\$5,867,000 for the year ended 31 December 2011. The decrease was attributable to the decrease in the interest income.

Loss for the year and attributable to owners of the Company in 2012 amounted to approximately HK\$85,417,000, while the loss for the year and attributable to owners of the Company in 2011 amounted to approximately HK\$689,000. The loss for the year was mainly due to the impairment of an available-for-sale investment.

STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2012*

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
REVENUE	4	662	5,867
OTHER INCOME AND GAINS	4	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		(78,300)	–
LOSS BEFORE TAX	5	(85,417)	(689)
Income tax expense	6	–	–
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(85,417)	(689)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		–	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(85,417)	(689)
LOSS PER SHARE	8		
Basic		(1.22 cents)	(0.01 cents)
Diluted		N/A	N/A

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,391	3,426
Available-for-sale investments	9	270,764	313,274
Deposit for acquisition of an available-for-sale investment	10	<u>–</u>	<u>35,790</u>
Total non-current assets		<u>273,155</u>	<u>352,490</u>
CURRENT ASSETS			
Financial asset at fair value through profit or loss	11	10,026	–
Prepayments, deposits and other receivables		14,374	2,501
Cash and bank balances	12	<u>30,763</u>	<u>97,909</u>
Total current assets		<u>55,163</u>	<u>100,410</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>21,618</u>	<u>60,783</u>
Total current liabilities		<u>21,618</u>	<u>60,783</u>
NET CURRENT ASSETS		<u>33,545</u>	<u>39,627</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>306,700</u>	<u>392,117</u>
NET ASSETS		<u>306,700</u>	<u>392,117</u>
EQUITY			
Issued share capital	13	69,794	69,794
Reserves		<u>236,906</u>	<u>322,323</u>
Total equity		<u>306,700</u>	<u>392,117</u>
Net asset value per share	14	<u>HK\$0.04</u>	<u>HK\$0.06</u>

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 (“HK”) and the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

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 Hong Kong Institute of Certified Public Accountants (“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.

2.2 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 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 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
REVENUE						
Interest income	491	5,867	-	-	491	5,867
Dividend income from listed investments	171	-	-	-	171	-
	<u>662</u>	<u>5,867</u>	<u>-</u>	<u>-</u>	<u>662</u>	<u>5,867</u>
NON-CURRENT ASSETS						
Property, plant and equipment	2,391	3,426	-	-	2,391	3,426

4 REVENUE, OTHER INCOME AND GAINS

An analysis of the revenue of the Company is as follows:

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

5 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	–
	<u>154</u>	<u>116</u>
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 arising from available-for-sale investment	(171)	–
Net exchange gains	(1,056)	–
Gain on disposal of property, plant and equipment and investment properties	–	(2,065)
	<u> </u>	<u> </u>

6 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 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss before tax	<u>(85,417)</u>	<u>(689)</u>
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	<u>1,136</u>	<u>187</u>
Tax charge at the Company's effective tax rate	<u> </u>	<u> </u>

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.

7 DIVIDENDS

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

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\$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.

9 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)
	<u>270,764</u>	<u>313,274</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 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	Impairment loss	Carrying amount	Dividend income received during the year	Dividend cover	Net assets attributable to the Company	Carrying amount
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	-
						<u>353,564</u>	<u>(82,800)</u>	<u>270,764</u>				<u>313,274</u>

* 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 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 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 income statement 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 announcement 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.

10 DEPOSIT FOR ACQUISITION OF AVAILABLE-FOR-SALE INVESTMENT

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

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

11 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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 <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Unrealised holding gains <i>HK\$'000</i>	Dividend income received during the year <i>HK\$'000</i>
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.

12 CASH AND CASH EQUIVALENTS

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

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.

13 SHARE CAPITAL

	2012 <i>HK\$'000</i>	2011 <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:		
6,979,385,753 ordinary shares of HK\$0.01 each	<u>69,794</u>	<u>69,794</u>

(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.

(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.

14 NET ASSET VALUE PER SHARE

As at 31 December 2012 and 2011, the net asset value per share of the Company was HK\$0.04 and HK\$0.06, respectively. 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 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 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.

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 Crowned 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.

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.

OPERATING LEASE ARRANGEMENTS

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
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
	<u>2,520</u>	<u>4,020</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.

COMMITMENTS

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

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

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:

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

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 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Short term employee benefits	449	568
Post-employment benefits	–	–
Pension	19	6
	<hr/>	<hr/>
Total compensation paid to key management personnel	468	574
	<hr/> <hr/>	<hr/> <hr/>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
China Everbright Securities (HK) Limited	704	300
	<hr/> <hr/>	<hr/> <hr/>

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.

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 PRC market, United Crown mainly specializes 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 energy 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 long-term equity investment and specifically provide completed management of fund and funds platform.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in new technologies like solar energy and LED, 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 2012.

CAPITAL STRUCTURE

For movement of Capital Structure of the Company, please refer to note 13 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 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.

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.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2012 have been agreed by the Company's auditors, ANDA CPA Limited ("ANDA"), to the amounts set out in the Company's financial statements for the year ended 31 December 2012. The work performed by 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 ANDA on the preliminary announcement.

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.

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.

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
Executive Director and Chief Executive Officer

Hong Kong, 11 March 2013

As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Li Zhou; the Non-executive Director is Mr. Ng Kwong Chue Paul, Mr. Jook Chun Kui Raymond and Mr. Wang Yaomin; the Independent Non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang. Ms. Kung Ching is alternate director to Mr. Xiang Xin.