



**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)

2013 INTERIM REPORT

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FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of China Innovation Investment Limited (the “Company”) are pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2013 with comparative figures for the corresponding period of 2012 as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Gross proceeds from disposal of securities	59,504	–
Revenue	65	256
Loss for the period and attributable to owners of the Company	(6,118)	(4,730)
Loss per share		
Basic	(0.09 cents)	(0.07 cents)
Diluted	N/A	N/A

Interim Dividend

To maintain the capital for operation and potential investment opportunities, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2013, the Company recorded a total revenue of approximately HK\$65,000 (Six months ended 30 June 2012: approximately HK\$256,000). This decrease in revenue was mainly attributable to the decrease in the interest income.

The loss for the six months ended 30 June 2013 was approximately HK\$6,118,000 while the loss for the corresponding period of 2012 was approximately HK\$4,730,000.

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 (the "Stock Exchange") on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange.

As at 30 June 2013, 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, which amounting to total cost and carrying values of approximately HK\$353,564,000 and HK\$270,764,000 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Portfolios

As at 30 June 2013, the Company hold the following investments:

- (i) Topsun Creation Limited (“Topsun”) is incorporated in Hong Kong and principally engaged in investment holding. At 30 June 2013, Topsun directly held 100% interest in a company incorporated in the People’s Republic of China (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.
- (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.
- (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.
- (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 30 June 2013, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 30 June 2013, 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.

Liquidity and financial resources and gearing

As at 30 June 2013, the Company had cash and cash equivalents of approximately HK\$19,027,000. All the cash and cash equivalents were mainly placed as short term deposits in Hong Kong dollars (“HK\$”) and Renminbi (“RMB”) with banks and securities companies in Hong Kong.

For the period 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 was zero (net debt to shareholders’ funds) as at 30 June 2013. Taking into consideration the existing financial resources of the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Capital structure

Details in the changes of the capital structure of the Company during the six months ended 30 June 2013 are set out in note 8 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2013.

Foreign currency fluctuation

The Company mainly operates its business transaction in Hong Kong dollars and thus is not exposed to foreign currency risk. No hedging or other alternatives have been implemented.

Charge on Company asset and contingent liabilities

As at 30 June 2013, the Company has not pledge its assets and the Company did not have any significant contingent liabilities.

Employee information

As at 30 June 2013, the Company had 9 employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Appreciation

Finally, for and on behalf of the Company and the board of directors, I would like to express my heartfelt gratitude to our shareholders, business partners and dedicated colleagues.

On behalf of the Board

Xiang Xin

Executive Director and Chief Executive Officer

Hong Kong, 23 August 2013

ADDITIONAL INFORMATION

Disclosure of Interests by Directors

As at 30 June 2013, 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 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 (note 1)	24.69%
Kung Ching	1,723,335,379	Corporate interests (note 1)	24.69%

Note:

1. The 1,723,335,379 shares are held by Harvest Rise Investments Limited. Mr. Xiang Xin 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 unlisted warrants ("2008 Warrants") of the Company

All the 2008 Warrants has been confirmed invalid after the 2008 Warrants holder, Harvest Rise Investments Limited (note 1), gave up the application for extension of 2008 Warrants on 9 April 2013. As at 30 June 2013, no warrants was issued but not yet matured by the Company.

(iii) Long position in the underlying shares — share options

Name	Date of grant	Exercise period	Number of share options outstanding as at 30 June 2013	Exercise price per share	Number of total underlying Shares	Approximate percentage of interests
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	4,097,704	0.30%

ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2013, none of the Directors or the chief executive of the Company or any of their respective associates had 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.

Disclosure of Interests by Substantial Shareholders

As at 30 June 2013, 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:

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%

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 New Times Global Capital Inc.
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.

ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2013, 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.

Other Information

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2013, the Company had not purchased, sold or redeemed any of its listed securities.

Corporate Governance

Code on Corporate Governance Practices (the "Code")

During the six months ended 30 June 2013, the Company has complied with the code provisions in the Code, save for deviation from Codes A.2.1 and A.4.1 for the period before 4 March 2013.

- 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 performs both of the roles as the chairman and the chief executive officer of the Company for the period before 4 March 2013. 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 Xin, 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 Xin 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.

ADDITIONAL INFORMATION

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 Issuer ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' 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 during the six months ended 30 June 2013.

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 the Appendix 14 of the Listing Rules. As at the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting system and internal control procedures and review of the Company's financial information.

The Company's interim report for the six months ended 30 June 2013 has been reviewed by the Audit Committee.

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 six months ended 30 June 2013.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	<i>Notes</i>	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Gross proceeds from disposal of securities		59,504	–
Interest income		65	256
Net realised loss on disposal of financial assets at fair value through profit or loss		(30)	(145)
Unrealised holding loss from financial assets at fair value through profit or loss		(1,917)	(455)
Administrative and other operating expenses		(4,236)	(4,386)
Loss before taxation	3	(6,118)	(4,730)
Income tax expense	4	–	–
Loss for the period and attributable to owners of the Company		(6,118)	(4,730)
Total comprehensive loss for the period and attributable to owners of the Company		(6,118)	(4,730)
Loss per share			
Basic	5	(0.09 cents)	(0.07 cents)
Diluted	5	N/A	N/A

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,873	2,391
Available-for-sale investments	6	270,764	270,764
		272,637	273,155
CURRENT ASSETS			
Financial assets at fair value through profit and loss		8,109	10,026
Prepayment, deposits and other receivables		13,804	14,374
Cash and bank balances	7	19,027	30,763
		40,940	55,163
CURRENT LIABILITIES			
Other payables and accruals		12,995	21,618
NET CURRENT ASSETS			
		27,945	33,545
NET ASSETS			
		300,582	306,700
EQUITY			
Issued share capital	8	69,794	69,794
Reserves		230,788	236,906
TOTAL EQUITY			
		300,582	306,700
Net asset value per share	10	HK\$0.04	HK\$0.04

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Issued share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2013 (Audited)	69,794	313,682	28,818	(105,594)	306,700
Total comprehensive loss for the period	–	–	–	(6,118)	(6,118)
At 30 June 2013 (Unaudited)	69,794	313,682	28,818	(111,712)	300,582
At 1 January 2012 (Audited)	69,794	313,682	28,818	(20,177)	392,117
Total comprehensive loss for the period	–	–	–	(4,730)	(4,730)
At 30 June 2012 (Unaudited)	69,794	313,682	28,818	(24,907)	387,387

Notes:

- (i) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions 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. Dividend may also be declared out of share premium account of the Company. As at 30 June 2013, the Company's reserve available for distribution amounted to approximately HK\$201,970,000 (30 June 2012: approximately HK\$288,775,000).
- (ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2.

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash used in operating activities	(3,228)	(3,559)
Net cash used in investing activities	(8,508)	(9,710)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,736)	(13,269)
Cash and cash equivalents at the beginning of the period	30,763	97,909
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19,027	84,640
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,667	20,763
Non-pledged time deposits with original maturity of less than three months when acquires	6,360	63,877
	19,027	84,640

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 period 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 Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2012.

Summary of significant accounting policies

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 period beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); 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 period 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3 Loss before taxation

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
The Company's loss before taxation is arrived at after charging:		
Auditors' remuneration	65	80
Depreciation of property, plant and equipment	518	518
Employee benefit expense, including Directors' remuneration		
— wages, salaries and welfare	1,088	1,019
— contribution to retirement benefits scheme	39	39
Operating lease charge for land and buildings	480	480

4 Income tax expense

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2013 and 30 June 2012 as the Company did not generate any assessable profits.

5 Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$6,118,000 (six months ended 30 June 2012: HK\$4,730,000) and the weighted average number of 6,979,385,753 (six months ended 30 June 2012: 6,979,385,753) shares in issue during the period.

The computation of the diluted loss per share does not assume the exercise of the Company's share options as the exercise would decrease the loss per share of both current and prior periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6 Available-for-sale investments

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Unlisted equity securities, at cost	353,564	353,564
Less: Impairment	(82,800)	(82,800)
	270,764	270,764

7 Cash and bank balances

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Cash at banks	12,048	19,414
Cash on hand	3	3
Time deposits	6,360	9,537
Cash held in securities account of securities companies	616	1,809
	19,027	30,763

8 Share capital

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9 Share options

Under the share option scheme (the “Scheme”) approved by the sole shareholder of the Company on 18 July 2002, 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 or 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 CONDENSED FINANCIAL STATEMENTS

Movements of the options granted under the Scheme during the six months ended 30 June 2013 and outstanding at 30 June 2013 were as follows:

Date of grant	Exercise period	Number of share options					Exercise price per share option HK\$
		Outstanding as at 1 January 2013	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30 June 2013	
29.1.2003	28.8.2003 – 27.8.2013	14,341,966	–	–	–	14,341,966	0.0244

As at 30 June 2013, the number of shares issuable under the Scheme represented approximately 0.21% (31 December 2012: approximately 0.21%) of the Company's shares in issue as at that date.

10 Net assets value per share

The calculation of net asset per share is based on the net asset value of the Company as at 30 June 2013 of approximately HK\$300,582,000 (31 December 2012: approximately HK\$306,700,000) and 6,979,385,753 (31 December 2012: 6,979,385,753) ordinary shares in issue at the end of the period.

11 Related party transactions

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	480	225
Rental expenses paid to New Era Group (China) Limited (<i>note b</i>)	480	480
Rental deposit paid to New Era Group (China) Limited (<i>note b</i>)	160	160

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Note:

- (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 condensed statement of financial position. During the year 2011, the Tenancy Agreement had been automatically renewed for further 3 years commenced from 1 July 2011 with the same terms and conditions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12 Commitments

Lease commitments

As at 30 June 2013, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within one year	1,500	1,500
In the second to fifth years inclusive	270	1,020
	1,770	2,520

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

13 Contingent liabilities

The Company did not have any significant contingent liabilities at 30 June 2013.

14 Interim dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Xiang Xin (*Chief Executive Officer*)

Mr. Chan Cheong Yee

Mr. Li Zhou

Non-Executive Director

Mr. Wang Yaomin (*Chairman*)

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

Authorised Representatives

Mr. Xiang Xin

Mr. Fok Chi Wing

Audit Committee and Remuneration Committee

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

Company Secretary

Mr. Fok Chi Wing

Registered Office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong

26/F, No. 9 Des Voeux Road West,
Sheung Wan, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House, 68 Fort Street

P.O. Box 705, George Town

Grand Cayman KY1-1107

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

UBS AG

Bank of Singapore Limited

Custodians

China Everbright Securities (HK) Limited

UBS AG

Stock Code

1217

Website

www.1217.com.hk