



**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)

Annual Report **2015**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xiang Xin

(Co-Chairman of the Board and Chief Executive Officer)

Mr. Chan Cheong Yee

Mr. Li Zhou

Non-executive Directors

Mr. Jook Chun Kui Raymond

Mr. Sun Kuan Chi

Ms. Chen Jiajing *(Co-Chairman of the Board)*

Ms. Jiang Linlin

Mr. Wang Wei (王瑋)

Independent Non-executive Directors

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

Alternate Director

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

COMPANY SECRETARY

Mr. Fok Chi Wing

AUTHORISED REPRESENTATIVES

Mr. Xiang Xin

Mr. Fok Chi Wing

EXECUTIVE COMMITTEE

Mr. Xiang Xin *(chairman of executive committee)*

Mr. Chan Cheong Yee

Mr. Li Zhou

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. David Wang Xin *(chairman of audit committee and remuneration committee)*

Mr. Zang Hong Liang

Mr. Lee Wing Hang

NOMINATION COMMITTEE

Mr. Xiang Xin *(chairman of nomination committee)*

Mr. David Wang Xin

Mr. Zang Hong Liang

STRATEGIC COMMITTEE

Mr. Sun Kuan Chi

Mr. Jook Chun Kui Raymond

Ms. Chen Jiajing *(chairman of strategic committee)*

Ms. Jiang Linlin

Mr. Wang Wei (王瑋)

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

A18/F., Asia Orient Tower

Town Place, 33 Lockhart Road

Wanchai, Hong Kong

(which will be relocated to Suites 3301-04,

33/F., Two Chinachem Exchange Square,

338 King's Road, North Point, Hong Kong

with effect from 5 April 2016)

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDITORS

ZHONGHUI ANDA CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

UBS AG

Bank of Singapore Limited

CUSTODIANS

China Everbright Securities (HK) Limited

Interactive Brokers LLC

Kingston Securities Limited

STOCK CODE

1217

WEBSITE

www.1217.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Innovation Investment Limited (the "Company"), I am pleased to present to you the audited results of the Company for the year ended 31 December 2015.

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).

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.

CHAIRMAN'S STATEMENT

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

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

APPRECIATION

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

Xiang Xin

Co-Chairman and Chief Executive Officer

Hong Kong, 24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

On 26 June 2015, Dooda Innovation (China) Limited (the associate of China Trends Holdings Limited), Grand Far Sky (China) Limited (the investee company of the Company), Boss Dream Culture Communication Limited (“Boss Culture”) and Huangshan Happy New World Company Limited entered into a framework agreement in relation to Interactive TV platform corporative project.

On 17 August 2015, China Trends Holdings Limited, the Company and Shenzhen Qianhai Tianhe Culture Industries Fund Management Co., Ltd. entered into a corporative framework agreement in relation to joint investment in new media project.

On 8 November 2015, the Company and China Culture Media International Holdings Limited entered into a memorandum of understanding in relation to four potential acquisitions or investments of the partly equity interest in Supreme Tycoon Limited, Max Zenith Limited, Dongyang Spring Television Culture Company Limited and Wenzhou Is Xu Television Productions Limited.

On 12 February 2016, the Company has issued a recourse letter to China Culture Media International Holdings Limited requesting the Earnest Money of HK\$15,000,000 should be totally refunded to the Company within three working days after the termination date stipulated in the memorandum of understanding. As at the date of this report, the earnest money of HK\$15,000,000 has not yet refund from China Culture Media International Holdings Limited.

On 29 February 2016, the Company and Guotai investment entered into a priority investment agreement whereby Guotai investment has agreed to offer the Company priority to invest in any Guotai investment’s technology and financial service business on preferential conditions with consideration referenced to net asset value.

INVESTMENT PORTFOLIOS

As at 31 December 2015, the Company holds certain listed investment which are disclosed in note 15 to the financial statement.

As at 31 December 2015, the Company holds the following unlisted investments which are also disclosed in note 14 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

As 31 December 2015, the Board consists of three executive Directors, five non-executive Directors and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules.

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

CORPORATE GOVERNANCE REPORT

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

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

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

The attendance of individual members at board meetings held during the year ended 31 December 2015 are set out as below:

Name of Directors	Board meetings Attendance
<i>Executive Directors:</i>	
Mr. Xiang Xin	9/9
Mr. Chan Cheong Yee	7/9
Mr. Li Zhou	9/9
<i>Non-executive Directors:</i>	
Mr. Jook Chun Kai Raymond	9/9
Mr. Sun Kuan Chi	8/9
Mr. Kuk Peter Z (appointed on 4 June 2015 and resigned on 2 February 2016)	5/5
Mr. Ge Ming (appointed on 15 June 2015 and resigned on 2 February 2016)	3/3
Mr. Wang Wei (王巍) (appointed on 15 June 2015 and resigned on 2 February 2016)	1/3
<i>Independent non-executive Directors:</i>	
Mr. David Wang Xin	7/9
Mr. Zang Hong Liang	8/9
Mr. Lee Wing Hang	6/9
<i>Alternate Directors:</i>	
Ms. Kung Ching	
Mr. Chen Banyan (resigned on 30 September 2015)	

The biographical details of the Directors are set out on pages 14 to 16 of this annual report.

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin and Mr. Kuk Peter Z is the Co-Chairman of the Board and Mr. Xiang Xin is the Chief Executive Officer of the Company.

The chairman's and the chief executive officer's responsibility is to manage the Board and the Company's day-to-day business, respectively.

Management is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer.

The chief executive officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

EXECUTIVE COMMITTEE

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

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

The Executive Committee held periodical meetings during the financial year to review, discuss and evaluate the business performance and operational matters of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

Name of Directors	Attendance
Mr. Xiang Xin (<i>chairman</i>)	11/11
Mr. Chan Cheong Yee	2/11
Mr. Li Zhou	9/11

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") in 2006. All of the members of the Remuneration Committee are the independent non-executive directors of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

Name of Directors	Attendance
Mr. David Wang Xin (<i>chairman</i>)	1/1
Mr. Zang Hong Liang	1/1
Mr. Lee Wing Hang	1/1

CORPORATE GOVERNANCE REPORT

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

The Remuneration Committee determines the policy for the remuneration of executive Directors, assesses performance of executive directors and approves the terms of executive directors' service contracts.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board in August 2007 in accordance with the terms of reference set out in the Code. The Nomination Committee comprises three directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

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

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

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

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:

Name of Directors	Attendance
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.

CORPORATE GOVERNANCE REPORT

STRATEGIC COMMITTEE

The strategic committee (the “Strategic Committee”) was established in August 2015 with terms of reference. The Strategic Committee comprise all non-executive Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

Name of Directors	Attendance
Mr. Jook Chun Kui Raymond	1/1
Mr. Sun Kuan Chi	1/1
Mr. Kuk Peter Z (<i>Chairman</i>)	1/1
Mr. Ge Ming	1/1
Mr. Wang Wei (王巍)	1/1

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

The Strategic Committee is responsible for conducting researches and submits proposals to the Board concerning the long-term development strategic and material investment decision of the Company. The Strategic Committee has no specific number of meetings as set out in the terms of reference.

Following the resignation of Mr. Peter Kuk Z, Mr. Ge Ming, Mr. Wang Wei (王巍) and appointment of Ms. Chen Jiajing, Ms. Jiang Linlin, Mr. Wang Wei (王璋) as non-executive Directors and members of Strategic Committee of the Company on 2 February 2016. Ms. Chen Jiajing was appointed as Chairman of Strategic Committee.

INTERNAL CONTROL

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

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

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

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

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2015, the Directors have:

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

EXTERNAL AUDITORS

The responsibilities of the external auditors with respect to financial reporting are set out in the section of “Independent Auditor’s Report” on pages 23 and 24.

AUDITORS’ REMUNERATION

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

Audit fee for the year	HK\$185,000
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BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xiang Xin (“Mr. Xiang”), aged 52, was co-chairman of the Board (“Co-Chairman”) and the chief executive officer (“Chief Executive Officer”) of the Company. Mr. Xiang has worked in a number of large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor’s degree in science and a master’s degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently a chairman of the board, chief executive officer and an executive director of China Trends Holdings Limited (stock code: 8171), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Xiang joined the Company on 14 January 2003.

Mr. Chan Cheong Yee (“Mr. Chan”), aged 52, holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for over 20 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is an executive director of China Investment and Finance Group Limited, executive director of China Investment Development Limited, executive director of Capital VC Limited, executive director of China New Economy Fund Limited, which are listed on the main board respectively, and also the executive director of Bingo Group Holdings Limited and China Trends Holding Limited, which are listed on GEM board respectively. Mr. Chan is also an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange. Mr. Chan joined the Company in June 2003.

Mr. Li Zhou (“Mr. Li”), aged 37, holds a master degree of business administration from the University of Hong Kong. Prior to his joining of the Company, Mr. Li has worked in several listed companies and investment companies in the People’s Republic of China. Mr. Li has extensive experience in the areas of telecommunications, information technology, project management, financing, and mergers and acquisitions. Mr. Li joined the Company in June 2011.

NON-EXECUTIVE DIRECTORS

Mr. Jook Chun Kui Raymond (“Mr. Jook”), aged 49, is also the managing director of China Avant Capital Limited and Avant Capital Management (HK) Limited (“Avant Capital”). Mr. Jook is the licensed responsible officer of the above company under Section 120 of the SFO, authorised to carry out Advising on Securities and Asset Management defined as Type 4 and Type 9. Mr. Jook has worked as hedge fund manager in other investment management company and has fourteen years of research analyst experience in various investment banks. Mr. Jook holds a BA degree in statistics and MS degree in actuarial science from the University of Wisconsin-Madison, an MBA degree from the University of British Columbia and CFA qualification. Mr. Jook joined the Company in March 2012.

Mr. Sun Kuan Chi (“Mr. Sun”), aged 67, was the Ph.D. degree holder from Georgetown University and Master degree holder from The Johns Hopkins University in Computer Science. Mr. Sun is currently the CEO of Hughes Network Technology Limited and non-executive director of China Trends Holdings Limited, a company listed on the GEM board. Mr. Sun has extensive experience in satellite mobile internet. Mr. Sun joined the Company on 10 December 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ms. Chen Jiajing (“Ms. Chen”), aged 29, a co-chairman of the Board. Ms. Chen is a chairman and general manager of Guotai Investment Holding (Group) Company Limited (“Guotai Investment”). Ms. Chen is experienced in business and enterprise management and Ms. Chen is also the founder of the “ILY” theory of modern enterprise management system. Ms. Chen actively participated in social activities and was elected as the member of 11th Committee of Shanghai Youth Federation. Ms. Chen received her bachelor’s degree in Finance from Donghua University and the master’s degree in Urban Economics and Management from Shanghai University of Finance and Economics. Ms. Chen is currently a co-chairman of the board of director and non-executive director of China Trends Holdings Limited (stock code: 8171), a company listed on the Growth Enterprise Market of the Stock Exchange. Ms. Chen joined the Company on 2 February 2016.

Ms. Jiang Linlin (“Ms. Jiang”), aged 31, joined Guotai Investment in 2015 and currently an assistant of president of Guotai Investment. Ms. Jiang has many years of experience in business operation and enterprise management and worked as the project manager of ILParco company and the consultant of Swarovski company before joining Guotai Investment. Ms. Jiang received her bachelor’s degree from Donghua University and the master’s degree from Domus Academy in Italy. Ms. Jiang is currently a non-executive director of China Trends Holdings Limited (stock code: 8171), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Jiang joined the Company on 2 February 2016.

Mr. Wang Wei (王璋), aged 37, joined Guotai Investment in 2015 and currently a deputy chief supervisor of Guotai Investment. Mr. Wang Wei (王璋) worked in economic crime investigation department of Shanghai Public Security Bureau. Mr. Wang Wei (王璋) is experienced in handling economic cases which plays an effective role in supervising the compliance of enterprise operation. Mr. Wang Wei (王璋) holds the bachelor’s degree from Shanghai Police College. Mr. Wang (王璋) is currently a non-executive director of China Trends Holdings Limited (stock code: 8171), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Wang Wei (王璋) joined the Company on 2 February 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Wang Xin (“Mr. Wang”), aged 53, is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor’s degree in Mechanical Engineering in 1982 and a master’s degree in Business Administration in 1985. Mr. Wang has joined the Company in October 2002.

Mr. Zang Hong Liang (“Mr. Zang”), aged 48, is at present a partner of Global Law Office, a large law firm in the PRC. Mr. Zang graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. Mr. Zang holds a bachelor degree in International Economic Law and a master degree in Commercial Law. Mr. Zang’s area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping. Mr. Zang joined the Company in September 2004.

Mr. Lee Wing Hang (“Mr. Lee”), aged 47, is the partner of L & L PARTNERS Certified Public Accountants (Practising). Mr. Lee holds a bachelor degree in accountancy from Australia. Mr. Lee has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lee joined the Company in December 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS

ALTERNATE DIRECTOR

Ms. Kung Ching (“**Ms. Kung**”), aged 46, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung worked for large organisations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Trends Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Ms. Kung joined the Company on 8 October 2012.

REPORT OF THE DIRECTORS

The Directors of the Company have pleasure to present their report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

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

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and PRC.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on page 25.

The Board has resolved not to declare any dividend (2014: nil) for the year under review.

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 27.

PROPERTY , PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

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

As at 31 December 2015, the Company had distributable reserves amounting to approximately HK\$389,093,000 (2014: approximately HK\$211,979,000).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out on page 60 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 19 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Xiang Xin
Mr. Chan Cheong Yee
Mr. Li Zhou

Non-executive Directors:

Mr. Jook Chun Kui Raymond
Mr. Sun Kuan Chi
Mr. Kuk Peter Z (appointed on 4 June 2015 and resigned on 2 February 2016)
Mr. Ge Ming (appointed on 15 June 2015 and resigned on 2 February 2016)
Mr. Wang Wei (王巍) (appointed on 15 June 2015 and resigned on 2 February 2016)
Ms. Chen Jiajing (appointed on 2 February 2016)
Ms. Jiang Linlin (appointed on 2 February 2016)
Mr. Wang Wei (王璋) (appointed on 2 February 2016)

Independent non-executive Directors:

Mr. David Wang Xin
Mr. Zang Hong Liang
Mr. Lee Wing Hang

Alternate Directors:

Ms. Kung Ching
Mr. Chen Banyan (resigned on 30 September 2015)

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. Chan Cheong Yee, Mr. Sun Kuan Chi and Mr. Lee Wing Hang shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Article 98(3) of the Articles of Association of the Company, Ms. Chen Jiajing, Ms. Jiang Linlin and Mr. Wang Wei (王璋) shall retire and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 14 to 16 of this annual report.

REPORT OF THE DIRECTORS

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

As at 31 December 2015, 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
Kung Ching	23,335,379	Corporate interests (note 1)	0.27%

Note:

- The share of the Company are held by Harvest Rise Investments Limited which Ms. Kung Ching is the ultimate beneficiary of such company.

(ii) Interest in the underlying shares of the Company — share options

Name of Director	Date of grant	Exercise period	Nature of interest	Exercise price per share HK\$	Number of underlying Shares for Share Options	Approximately percentage of interest
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	60,000,000(L)	0.71%
Li Zhou	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	20,000,000(L)	0.23%
Jook Chun Kui Raymond	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	30,000,000(L)	0.35%
Sun Kuan Chi	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	30,000,000(L)	0.35%
David Wang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	30,000,000(L)	0.35%
Zang Hong Liang	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	20,000,000(L)	0.23%
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.05	30,000,000(L)	0.35%

SHARE OPTION SCHEME

As regards to the share option scheme ("Share Option Scheme") approved by shareholders under annual general meeting on 22 May 2014, there were 557,938,575 Shares available for issue under Share Option Scheme which represents approximately 6.55% of the issued share capital of the Company as at 31 December 2015. Details of Share Option Scheme and share options movements are set out in note 21 to the financial statement.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Haitong Guotai	Trustee	1,700,000,000	19.97%
Guotai Investment (<i>note 1</i>)	Beneficiary of a trust	1,700,000,000	19.97%
Guard Max Limited	Beneficiary	616,680,000	7.29%
Zhang Gui Sen (<i>note 2</i>)	Deemed	616,680,000	7.29%
Harvest Rise Investments Limited	Beneficiary	23,335,379	0.27%
New Times Global Capital Inc. (<i>note 3</i>)	Deemed	23,335,379	0.27%

Notes:

1. Haitong Guotai is a trust wholly and beneficially owned by Guotai Investment. Accordingly, Guotai Investment is interested in the shares of the Company held by Haitong Guotai. After Haitong Guotai further acquired 662,720,000 Shares of the Company, on 1 February 2016, Haitong Guotai is interested in 2,362,720,000 Shares of the Company.
2. Guard Max Limited is a private company wholly and beneficially owned by Mr. Zhang Gui Sen. Mr. Zhang Gui Sen is deemed to have interest in 616,680,000 shares held by Guard Max Limited.
3. 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. Ms. Kung Ching, spouse of Mr. Xiang Xin, owns 100% share of New Times Global Capital Inc. and is also the director of New Times Global Capital Inc.

Save as disclosed above, as at 31 December 2015, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

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

REPORT OF THE DIRECTORS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 24 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 24 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

All significant connected transactions entered by the Company during the year ended 31 December 2015 are disclosed in note 24 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

RETIREMENT BENEFITS SCHEME

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

For the year ended 31 December 2015, no forfeited contribution to the retirement benefits scheme was credited to the statement of profit or loss (2014: nil).

CORPORATE GOVERNANCE

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

REPORT OF THE DIRECTORS

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.

AUDITORS

The financial statements for the year ended 31 December 2014 and year ended 31 December 2015 have been audited by ZHONGHUI ANDA CPA Limited who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By order of the Board

Xiang Xin

Co-Chairman and Chief Executive Officer

Hong Kong, 24 March 2016

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF CHINA INNOVATION INVESTMENT LIMITED

中國創新投資有限公司

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China Innovation Investment Limited (the “Company”) set out on pages 25 to 59 which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Fong Tak Ching

Practising Certificate Number P06353

Hong Kong, 24 March 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gross sales proceeds of securities		284,362	70,884
REVENUE	7	1,509	86
OTHER INCOME AND GAINS	7	841	537
Net realised gains on disposal of financial assets at fair value through profit or loss		2,610	1,990
Unrealised holding gains/(losses) from financial assets and liabilities at fair value through profit or loss		10,784	(65)
Administrative and other operating expenses		(15,882)	(18,461)
LOSS BEFORE TAX	8	(138)	(15,913)
Income tax expense	10	–	–
LOSS FOR THE YEAR		(138)	(15,913)
Loss per share	11		
Basic		(0.002 cents)	(0.228 cents)
Diluted		N/A	N/A

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	13	581
Available-for-sale investments	14	270,764	270,764
Total non-current assets		270,777	271,345
CURRENT ASSETS			
Financial assets at fair value through profit or loss	15	70,960	2,605
Prepayments, deposits and other receivables	16	28,893	9,401
Cash and bank balances	17	113,567	23,732
Total current assets		213,420	35,738
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	15	–	14
Other payables and accruals	18	216	13,141
Total current liabilities		216	13,155
NET CURRENT ASSETS		213,204	22,583
TOTAL ASSETS LESS CURRENT LIABILITIES		483,981	293,928
NET ASSETS		483,981	293,928
EQUITY			
Issued share capital	19	85,144	69,794
Reserves	20	398,837	224,134
TOTAL EQUITY		483,981	293,928

Approved by:

Xiang Xin
Director

Chan Cheong Yee
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2014	69,794	313,682	–	(85,790)	297,686
Share-based payments	–	–	12,155	–	12,155
Total comprehensive loss for the year	–	–	–	(15,913)	(15,913)
At 1 January 2015	69,794	313,682	12,155	(101,703)	293,928
Total comprehensive loss for the year	–	–	–	(138)	(138)
Placing of shares (<i>Note 19(a)</i>)	13,950	169,241	–	–	183,191
Exercise of share options	1,400	8,011	(2,411)	–	7,000
At 31 December 2015	85,144	490,934	9,744	(101,841)	483,981

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(138)	(15,913)
Adjustments for:		
Depreciation	568	836
Gain on disposal of available-for-sale investments	–	(527)
Net holding (gains)/losses from financial assets and financial liabilities at fair value through profit or loss	(10,784)	65
Net (payment for acquisition)/proceeds from disposal of financial assets and financial liabilities at fair value through profit or loss	(57,585)	12,495
Dividend income from listed investments	(224)	–
Interest income	(1,285)	(86)
Share-based payments	–	12,155
Operating cash flows before working capital changes	(69,448)	9,025
Change in prepayments, deposits and other receivables	(19,492)	(7,716)
Change in other payables and accruals	(14)	38
Net cash flows (used in)/generated from operating activities	(88,954)	1,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	–	527
Settlement of consideration for acquisition of available-for-sale investments	(12,911)	–
Dividend received arising from listed investments	224	–
Interest received	1,285	86
Net cash flows (used in)/generated from investing activities	(11,402)	613
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from placing of shares	186,930	–
Expenses for placing of shares	(3,739)	–
Net proceeds from exercise of share options	7,000	–
Net cash flows generated from financing activities	190,191	–
Net increase in cash and cash equivalents	89,835	1,960
Cash and cash equivalents at beginning of year	23,732	21,772
Cash and cash equivalents at end of year	113,567	23,732
Analysis of balance of cash and cash equivalents		
Cash and bank balances	18,567	21,585
Non-pledged time deposits with original maturity of less than three months when acquired	95,000	2,147
	113,567	23,732

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are stated at fair value.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Functional and presentation currency

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

Transactions and balances in financial statements

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

Property, plant and equipment

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

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

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

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

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

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

Leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

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

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

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

Investments

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

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

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

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

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair values cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Trade and other payables

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

Equity instruments

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

Provisions and contingent liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

Employee benefits

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

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$25,000 (increased to HK\$30,000 starting from 1 June 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits are recognised at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs and involves the payment of termination benefits.

Share-based payment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

Impairment of assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

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

Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Events after the reporting period

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements in applying accounting policies

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

Available-for-sale investments

The available-for-sale investments are measured at cost less impairment loss because they do not have a quoted market price in an active market. The directors of the Company are of the opinion that their fair values cannot be reliably measured and hence such unquoted equity investments are measured at cost less impairment losses at the end of the reporting period.

Note 14 describes that these investee companies are not treated as associates or subsidiaries although the Company has 32% to 85% ownership interest in these investee companies. In making their judgment, the directors of the Company considered the Company has no voting rights and concluded that it is not in a position to control or exercise any significant influence over the financial and operating policies of these investee companies or to participate in their operations.

Estimation uncertainty

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

Impairment of available-for-sale investments

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

At the end of the reporting period, the carrying value of available-for-sale investments were approximately HK\$270,764,000 (2014: approximately HK\$270,764,000). This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Foreign currency risk

Foreign exchange risk mainly arises from monetary assets and liabilities denominated in a currency that is not the functional currency of the Company.

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

At 31 December 2015, if Hong Kong dollar had weakened or strengthened by 5% (2014: 5%) against RMB, with all other variables held constant, loss before tax for the reporting period would have been approximately HK\$4,000 (2014: approximately HK\$485,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of bank and cash balances in Hong Kong.

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

(b) Interest rate risk

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

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

At the end of the reporting period, if interest rates had been increased or decreased by 100 basis points (2014: 100 basis points) and all other variables were held constant, the loss before tax of the Company would decrease or increase by approximately HK\$950,000 (2014: approximately HK\$123,000).

(c) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

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

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

(d) Liquidity risk

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

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

	At 31 December 2015				
	On demand or no fixed terms of repayment <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 months to less than 12 months <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other payables and accruals	–	216	–	–	216

	At 31 December 2014				
	On demand or no fixed terms of repayment <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 months to less than 12 months <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities at fair value through profit or loss	–	14	–	–	14
Other payables and accruals	12,925	216	–	–	13,141
	12,925	230	–	–	13,155

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

(e) Fair value

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

(f) Price risk

At 31 December 2015, if the share prices of the listed securities (note 15) increase/decrease by 10%, profit after tax for the year would have been approximately of HK\$7,100,000 (2014: HK\$261,000) higher/lower, arising as a result of the fair value gain/loss of the listed securities.

6. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. REVENUE, OTHER INCOME AND GAINS

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

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

8. LOSS BEFORE TAX

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (a) Directors' emoluments

	For the year ended 31 December 2015				
	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Equity- settled share option benefits <i>HK\$'000</i>	Pension scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:					
Xiang Xin	60	–	–	–	60
Chan Cheong Yee	60	–	–	–	60
Li Zhou	60	–	–	–	60
	180	–	–	–	180
Non-executive directors:					
Jook Chun Kui Raymond	30	–	–	–	30
Sun Kuan Chi	30	–	–	–	30
Kuk Peter Z (appointed on 4 June 2015 and resigned on 2 February 2016)	17	–	–	–	17
Ge Ming (appointed on 15 June 2015 and resigned on 2 February 2016)	16	–	–	–	16
Wang Wei (appointed on 15 June 2015 and resigned on 2 February 2016)	16	–	–	–	16
	109	–	–	–	109
Independent non-executive directors:					
David Wang Xin	30	–	–	–	30
Zang Hong Liang	30	–	–	–	30
Lee Wing Hang	30	–	–	–	30
	90	–	–	–	90
Total	379	–	–	–	379

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(Continued)

(a) Directors' emoluments (Continued)

	For the year ended 31 December 2014				
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Equity- settled share option benefits HK\$'000	Pension scheme contribution HK\$'000	Total HK\$'000
Executive directors:					
Xiang Xin	60	–	1,338	–	1,398
Chan Cheong Yee	60	–	669	–	729
Li Zhou	60	–	669	–	729
	180	–	2,676	–	2,856
Non-executive directors:					
Jook Chun Kui Raymond	30	–	669	–	699
Wang Yaomin (resigned on 5 March 2014)	5	–	–	–	5
Sun Kuan Chi	30	–	669	–	699
	65	–	1,338	–	1,403
Independent non-executive directors:					
David Wang Xin	30	–	669	–	699
Zang Hong Liang	30	–	669	–	699
Lee Wing Hang	30	–	669	–	699
	90	–	2,007	–	2,097
Total	335	–	6,021	–	6,356

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Company; or as compensation for loss of office (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(Continued)

(b) Five highest paid individuals

There was two Directors (2014: five), whose emolument is set out in the above, included in the five highest paid individuals of the Company. For the year ended 31 December 2015, remaining three (2014: nil) employees of the Company were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefit-in-kind	492	–
Equity-settled share-based payments	–	–
Retirement benefit costs	33	–
	525	–

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

	Number of individuals	
	2015	2014
HK\$1,000,000 or below	3	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. 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:

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(138)	(15,913)
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	–	496
Tax charge at the Company's effective tax rate	–	–

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.

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. DIVIDENDS

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Office equipments <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Yacht <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1.1.2014, 31.12.2014 and 31.12.2015	975	34	142	4,026	5,177
ACCUMULATED DEPRECIATION					
At 1.1.2014	909	34	132	2,685	3,760
Charge for the year	27	–	4	805	836
At 31.12.2014 and 1.1.2015	936	34	136	3,490	4,596
Charge for the year	28	–	4	536	568
At 31.12.2015	964	34	140	4,026	5,164
CARRYING AMOUNT					
At 31.12.2015	11	–	2	–	13
At 31.12.2014	39	–	6	536	581

14. AVAILABLE-FOR-SALE INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

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	
						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 (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
						353,564	(82,800)	270,764				270,764

* 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Background information of the investee companies (Continued)

Notes: (Continued)

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

15. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

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
At 31 December 2015								
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
At 31 December 2014								
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 TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

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).

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK\$'000	HK\$'000
Prepayments	779	676
Deposits	161	161
Cash held in securities account of securities companies	10,925	7,350
Other receivables (note (a))	17,028	1,214
	28,893	9,401

Note:

- (a) At the end of the reporting period, the Company paid a refundable deposit of HK\$15,000,000 to acquire certain equity interest of a company which currently owns and controls the global license and corresponding rights of certain hours television program. Please refer to the Company's announcements dated 8 November 2015 and 12 February 2016 for details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. CASH AND CASH EQUIVALENTS

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

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.

18. OTHER PAYABLES AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Consideration for acquisition of investment (<i>note (a)</i>)	–	12,911
Other payables	–	14
Accruals	216	216
	216	13,141

Note:

- (a) At 31 December 2014, the amount represented part of the consideration payable for acquisition of available-for-sale investments, which has been settled during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
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)	85,144	69,794

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

	Number of shares '000	Amount HK\$'000
At 1 January 2014 and 2015	6,979,386	69,794
Placing of shares (Note 19 (a))	1,395,000	13,950
Exercise of share options (Note 21)	140,000	1,400
At 31 December 2015	8,514,386	85,144

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. RESERVES

(i) Share premium account

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

(ii) Share option reserve

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

21. SHARE OPTIONS

Pursuant to an annual general meeting of the Company held on 22 May 2014 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "Scheme") on 4 June 2014, the Company adopted the Scheme for the purpose of providing incentive to directors, employees and consultants. Unless or otherwise cancelled, amended or expire, the Scheme will be expired on 3 June 2024.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. SHARE OPTIONS (Continued)

Details of the options granted under the Scheme and outstanding at 31 December 2015 and 2014 are as follows:

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2015	Exercise price per share option HK\$
			Outstanding as at 1 January 2015	Granted during the year	Expired during the year	Exercised during the year		
Directors								
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	60,000,000	–	–	–	60,000,000	0.050
Chan Cheong Yee	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	(30,000,000)	–	0.050
Li Zhou	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	(10,000,000)	20,000,000	0.050
Jook Chun Kui Raymond	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	–	30,000,000	0.050
Sun Kuan Chi	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	–	30,000,000	0.050
David Wang Xin	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	–	30,000,000	0.050
Zang Hong Liang	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	(10,000,000)	20,000,000	0.050
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	30,000,000	–	–	–	30,000,000	0.050
			270,000,000	–	–	(50,000,000)	220,000,000	
Chen Banyan (Note a)	6 July 2014	6 July 2014 to 5 July 2024	10,000,000	–	–	–	10,000,000	0.050
Others	6 July 2014	6 July 2014 to 5 July 2024	416,000,000	–	–	(90,000,000)	326,000,000	0.050
			696,000,000	–	–	(140,000,000)	556,000,000	

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2014	Exercise price per share option HK\$
			Outstanding as at 1 January 2014	Granted during the year	Expired during the year	Exercised during the year		
Directors								
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	–	60,000,000	–	–	60,000,000	0.050
Chan Cheong Yee	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
Li Zhou	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
Jook Chun Kui Raymond	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
Sun Kuan Chi	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
David Wang Xin	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
Zang Hong Liang	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	–	30,000,000	–	–	30,000,000	0.050
Chen Banyan	6 July 2014	6 July 2014 to 5 July 2024	–	10,000,000	–	–	10,000,000	0.050
			–	280,000,000	–	–	280,000,000	
Others	6 July 2014	6 July 2014 to 5 July 2024	–	416,000,000	–	–	416,000,000	0.050
			–	696,000,000	–	–	696,000,000	

Note (a): Resigned as director on 1 October 2015

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.150.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. 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.

23. 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:

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

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.

24. RELATED PARTY TRANSACTIONS

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

	Notes	2015 HK\$'000	2014 HK\$'000
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	(a)	480	480
Rental expenses paid to New Era Group (China) Limited ("NEG")	(b)	960	960
Rental deposit paid to NEG	(b)	160	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

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:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2015

Financial assets

	Loans and receivables <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments	–	–	270,764	270,764
Financial assets at fair value through profit or loss	–	70,960	–	70,960
Financial assets included in prepayments, deposits and other receivables	28,893	–	–	28,893
Cash and bank balances	113,567	–	–	113,567
	142,460	70,960	270,764	484,184

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	216	216

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2014

Financial assets

	Loans and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	–	–	270,764	270,764
Financial assets at fair value through profit or loss	–	2,605	–	2,605
Financial assets included in prepayments, deposits and other receivables	9,401	–	–	9,401
Cash and bank balances	23,732	–	–	23,732
	33,133	2,605	270,764	306,502

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Financial liabilities at fair value through profit or loss	14	–	14
Financial liabilities included in other payables and accruals	–	13,141	13,141
	14	13,141	13,155

26. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. FAIR VALUE MEASUREMENTS (Continued)

The Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2015 and 2014:

Description	Fair value measurements using: Level 1 HK\$	Total 2015 HK\$
Recurring fair value measurements:		
Financial assets at fair value through profit or loss		
Listed securities in Hong Kong	70,960	70,960
<hr/>		
Description	Fair value measurements using: Level 1 HK\$	Total 2014 HK\$
Recurring fair value measurements:		
Financial assets at fair value through profit or loss		
Listed securities in Hong Kong	2,008	2,008
Listed securities in the US	597	597
	2,605	2,605
<hr/>		
Financial liabilities at fair value through profit or loss		
Futures	(14)	(14)
	(14)	(14)
<hr/>		
Total recurring fair value measurements	2,591	2,591

27. CONTINGENT LIABILITIES

The Company did not have any significant contingent liabilities at 31 December 2015 and 2014.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 24 March 2016.

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	For the years ended 31 December				
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
REVENUE	1,509	86	374	662	5,867
Loss before tax	(138)	(15,913)	(9,014)	(85,417)	(689)
Income tax	–	–	–	–	–
Loss for the year attributable to owners of the Company	(138)	(15,913)	(9,014)	(85,417)	(689)

ASSETS AND LIABILITIES

	As at 31 December				
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Total assets	484,197	307,083	310,966	328,318	452,900
Total liabilities	(216)	(13,155)	(13,280)	(21,618)	(60,783)
Net assets	483,981	293,928	297,686	306,700	392,117