



**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)

2016
INTERIM REPORT

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FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of China Innovation Investment Limited (the “Company”) are pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2016 with comparative figures for the corresponding period of 2015 as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Gross proceeds from disposal of securities	43,277	105,948
Dividend income	2,949	–
Net realised gain on disposal of financial assets at fair value through profit or loss	4,245	3,117
Loss for the period and attributable to owners of the Company	16,130	2,568
Loss per share		
Basic	(0.18 cents)	(0.04 cents)
Diluted	N/A	N/A

Interim Dividend

To maintain the capital for operation and potential investment opportunities, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2016, the Company record gross proceeds from disposal of securities are HK\$43,277,000 (six months ended 30 June 2015: HK\$105,948,000). For the six months ended 30 June 2016, the Company recorded dividend income of approximately HK\$2,949,000 (Six months ended 30 June 2015: nil) while net realized gain on disposal of financial assets was approximately HK\$4,245,000 (Six month ended 30 June 2015: approximately HK\$3,117,000).

The loss for the six months ended 30 June 2016 was approximately HK\$16,130,000 while the loss for the corresponding period of 2015 was approximately HK\$2,568,000.

Business review

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

As at 30 June 2016, 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, which amounting to total cost and carrying values of approximately HK\$353,564,000 and HK\$270,764,000 respectively.

Fund raising

In order to (i) strengthen the financial position; (ii) increase the capital base of the Company for future investment purpose and; (iii) providing funding to capture suitable investment opportunities for future investment purposes, an open offer of 4,267,192,876 open offer shares at HK\$0.05 per open offer share on the basis of one open offer share for every two shares held on 24 May 2016 was completed on 17 June 2016.

The net proceeds of the open offer is approximately HK\$205.5 million and the Company intends to apply such net proceeds to investment in the low-carbon vehicles, low-carbon property, low-carbon digital, low-carbon living and smart city unlisted projects with an estimated investment amount of not more than HK\$100 million for each project totaling not more than HK\$400 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

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

Leveraging on our experience and well-connected network in the Mainland market over years, the Company recently invested in high efficient 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” in real projects.

Investment Portfolios

As at 30 June 2016, the Company hold the following investments:

- (i) Topsun Creation Limited (“Topsun”) is incorporated in Hong Kong and principally engaged in investment holding. At 30 June 2016, 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 period.
- (ii) Aesthetic Vision Limited (“Aesthetic”) is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiaries incorporated in the PRC of which its major product is LED lighting. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. 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 period.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) United Crown Future Company Limited (“United Overseas”) is incorporated in British Virgin Island 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 period.
- (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. As at 30 June 2016, 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 period.
- (v) Grand Far Sky Limited (“Grand Far Sky”) is incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of fund and funds platform. Grand Far Sky holds a 95% interest in a subsidiary incorporated in the PRC, of which the principle activity is funding platform and fund management. As at 30 June 2016, 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 period.

Liquidity and financial resources and gearing

As at 30 June 2016, the Company had cash and cash equivalents of approximately HK\$220,159,000. All the cash and cash equivalents were mainly placed as short term deposits in Hong Kong dollars (“HK\$”) with banks in Hong Kong.

For the period under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio was zero (net debt to shareholders’ funds) as at 30 June 2016. Taking into consideration the existing financial resources of the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

Details in the changes of the capital structure of the Company during the six months ended 30 June 2016 are set out in note 8 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2016.

Foreign currency fluctuation

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

Charge on Company asset and contingent liabilities

As at 30 June 2016, the Company has not pledge its assets and the Company did not have any significant contingent liabilities.

Employee information

As at 30 June 2016, the Company had 11 employees.

Appreciation

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

On behalf of the Board

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong, 19 August 2016

ADDITIONAL INFORMATION

Disclosure of Interests by Directors

As at 30 June 2016, 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) 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	0.049	60,394,737(L)	0.47%
Li Zhou	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.049	20,131,579(L)	0.16%
Jook Chun Kui Raymond	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.049	30,197,368(L)	0.24%
Sun Kuan Chi	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.049	30,197,368(L)	0.24%
David Wang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.049	30,197,368(L)	0.24%
Zang Hong Liang	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.049	20,131,579(L)	0.16%
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.049	30,197,368(L)	0.24%

ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive of the Company or any of their respective associates had any interests and short positions in the Shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

Disclosure of Interests by Substantial Shareholders

As at 30 June 2016, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
China Technology Education Trust Association (<i>note 1</i>)	Beneficiary	3,817,807,905(L)	29.82%
Haitong Guotai (<i>note 2</i>)	Trustee	2,362,720,000(L)	18.46%
Guotai Investment (<i>note 2</i>)	Beneficiary	2,362,720,000(L)	18.46%

Notes:

1. The underlying Shares of the Company are held by China Technology Education Trust Association (the "Association"), a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to education and employment in Hong Kong and Mainland China. Mr. Xiang Xin is a chairman of the Association.
2. 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.

Save as disclosed above, as at 30 June 2016, 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.

ADDITIONAL INFORMATION

Other Information

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

During the six months ended 30 June 2016, the Company had not purchased, sold or redeemed any of its listed securities.

Corporate Governance

Code on Corporate Governance Practices (the "Code")

During the six months ended 30 June 2016, 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.

As at 30 June 2016, 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.

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.

ADDITIONAL INFORMATION

Directors' Securities Transactions

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code") as set out in Appendix 10 of the Listing Rules as its 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 during the six months ended 30 June 2016.

Audit Committee

The audit committee (the "Audit Committee") was established by the Board since the listing of the Company's shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference adopted since its establishment in compliance with the Code as set out in the Appendix 14 of the Listing Rules. As at the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting system and internal control procedures and review of the Company's financial information.

The Company's interim report for the six months ended 30 June 2016 has been reviewed by the Audit Committee.

Sufficiency of Public Float

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the six months ended 30 June 2016.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Gross proceeds from disposal of securities		43,277	105,948
Interest income		8	262
Dividend income		2,949	–
Other income		–	841
Net realised gain on disposal of financial assets at fair value through profit or loss		4,245	3,117
Unrealised holding (loss) gain from financial assets at fair value through profit or loss		(10,351)	52
Administrative and other operating expenses		(12,981)	(6,840)
Loss before taxation	3	(16,130)	(2,568)
Income tax expense	4	–	–
Loss for the period and attributable to owners of the Company		(16,130)	(2,568)
Total comprehensive loss for the period and attributable to owners of the Company		(16,130)	(2,568)
Loss per share			
Basic	5	(0.18 cents)	(0.04 cents)
Diluted	5	N/A	N/A

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		–	13
Available-for-sale investments	6	270,764	270,764
		270,764	270,777
CURRENT ASSETS			
Financial assets at fair value through profit and loss		101,074	70,960
Prepayment, deposits and other receivables		90,353	28,893
Cash and bank balances	7	220,159	113,567
		411,586	213,420
CURRENT LIABILITIES			
Other payables and accruals		139	216
		139	216
NET CURRENT ASSETS		411,447	213,204
NET ASSETS		682,211	483,981
EQUITY			
Issued share capital	8	128,016	85,144
Reserves		554,195	398,837
TOTAL EQUITY		682,211	483,981
Net asset value per share	10	HK\$0.05	HK\$0.06

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Issued share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016 (Audited)	85,144	490,934	9,744	(101,841)	483,981
Total comprehensive loss for the period	–	–	–	(16,130)	(16,130)
Issue of shares upon exercise of share option	200	1,218	(418)	–	1,000
Issue of shares upon completion of open offer	42,672	170,688	–	–	213,360
At 30 June 2016 (Unaudited)	128,016	662,840	9,326	(117,971)	682,211
At 1 January 2015 (Audited)	69,794	313,682	12,155	(101,703)	293,928
Total comprehensive loss for the period	–	–	–	(2,568)	(2,568)
Issue of shares upon exercise of share option	1,100	6,321	(1,921)	–	5,500
Issue of shares upon placing new shares under general mandate	13,950	172,980	–	–	186,930
At 30 June 2015 (Unaudited)	84,844	492,983	10,234	(104,271)	483,790

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Notes:

- (i) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions of dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution. Dividend may also be declared out of share premium account of the Company. As at 30 June 2016, the Company's reserve available for distribution amounted to approximately HK\$544,869,000 (30 June 2015: approximately HK\$388,712,000).
- (ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2.

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(107,768)	(5,385)
Net cash from financing activities	214,360	192,430
NET INCREASE IN CASH AND CASH EQUIVALENTS	106,592	187,045
Cash and cash equivalents at the beginning of the period	113,567	23,732
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	220,159	210,777
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	220,159	27,477
Non-pledged time deposits with original maturity of less than three months when acquires	–	183,300
	220,159	210,777

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 Corporate information

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

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

2 Basis of preparation

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

The unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2015.

Summary of significant accounting policies

The Company has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current period and prior years.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3 Loss before taxation

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
The Company's loss before taxation is arrived at after charging:		
Auditors' remuneration	257	100
Depreciation of property, plant and equipment	13	418
Employee benefit expense, including Directors' remuneration		
— wages, salaries and welfare	378	335
— contribution to retirement benefits scheme	6	18
Operating lease charge for land and buildings	480	480

4 Income tax expense

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2016 and 30 June 2015 as the Company did not generate any assessable profits.

5 Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$16,130,000 (six months ended 30 June 2015: HK\$2,568,000) and the weighted average number of 8,759,534,531 (six months ended 30 June 2015: 7,042,469,086) shares in issue during the period.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6 Available-for-sale investments

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Unlisted equity securities, at cost	353,564	353,564
Less: Impairment	(82,800)	(82,800)
	270,764	270,764

7 Cash and bank balances

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Cash at banks	220,156	18,564
Cash on hand	3	3
Time deposits	–	95,000
	220,159	113,567

8 Share capital

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
Issued and fully paid:		
12,801,578,629 ordinary shares of HK\$0.01 each (31 December 2015: 8,514,385,753) (note)	128,016	85,144

Note: The Company has issued 20,000,000 shares upon exercise of share options under Share Option Scheme during the period. Also, 4,267,192,876 shares has been issued upon completion of open offer at HK\$0.05 per open offer share on the basis of one open offer share for every two share held on 20 June 2016.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9 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 Share Option 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 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 CONDENSED FINANCIAL STATEMENTS

Movement of the options granted under the Scheme for the period ended 30 June 2016 and 30 June 2015 are as follows:

Date of grant	Exercise period	Number of share options					Adjusted exercise price per share option HK\$ (note)	
		Outstanding as at 1 January 2016	Granted during the period	Expired during the period	Exercised during the period	Adjustment upon completion of open offer (note)		Outstanding as at 30 June 2016
6 July 2014	6 July 2014–5 July 2024	556,000,000	–	–	(20,000,000)	3,526,316	539,526,316	0.049

Note: Adjustment of share option upon completion of open offer on 17 June 2016.

Date of grant	Exercise period	Number of share options					Exercise price per share option HK\$
		Outstanding as at 1 January 2015	Granted during the period	Expired during the period	Exercised during the period	Outstanding as at 30 June 2015	
6 July 2014	6 July 2014–5 July 2024	696,000,000	–	–	(110,000,000)	586,000,000	0.05

10 Net assets value per share

The net asset value per share of the Company is HK\$0.05 (31 December 2015: HK\$0.06). The calculation of net asset value per share is based on the net asset of the Company as at 30 June 2016 of approximately HK\$682,211,000 (31 December 2015: HK\$483,981,000) and 12,801,578,629 ordinary shares in issued (31 December 2015: 8,514,385,753) at the end of reporting period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

11 Related party transactions

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	240	240
Rental expenses paid to New Era Group (China) Limited (<i>note b</i>)	480	480
Rental deposit paid to New Era Group (China) Limited (<i>note b</i>)	160	160

Note:

- (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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

On 28 February 2012, the Company and CES entered into the Second Supplemental Agreement which lasts for 3 years commenced with effect from 20 May 2012 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 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 one month 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 the Fourth Supplemental Agreement which lasts for 3 years commenced with effect from 20 May 2015 and shall terminate on 19 May 2018. All terms and conditions remains unchanged.

- (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 prepayment, deposits and other receivables in the condensed 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 2014 with the same terms and conditions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12 Commitments

Lease commitments

As at 30 June 2016, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	480	960
In the second to fifth years inclusive	480	480
	960	1,440

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

13 Contingent liabilities

The Company did not have any significant contingent liabilities at 30 June 2016.

14 Interim dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Xiang Xin

(Chairman and Chief Executive Officer)

Mr. Chan Cheong Yee

Independent Non-executive Directors

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

Alternate Director

Ms. Kung Ching, an alternate director to

Mr. Xiang Xin

Authorised Representatives

Mr. Xiang Xin

Mr. Fok Chi Wing

Audit Committee and Remuneration Committee

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

Company Secretary

Mr. Fok Chi Wing

Registered Office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong

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

Sheung Wan, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House, 68 Fort Street

P.O. Box 705, George Town

Grand Cayman KY1-1107

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

Suites 3301-04

33/F, Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

Investment Manager

China Everbright Securities (HK) Limited

Auditors

ZHONGHUI ANDA CPA Limited

Principal Bankers

Bank of China (Hong Kong) Limited

UBS AG

Custodians

China Everbright Securities (HK) Limited

UBS AG

Stock Code

1217

Website

www.1217.com.hk