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## **CHINA INNOVATION INVESTMENT LIMITED**

**中國創新投資有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1217)

### **2017 ANNUAL RESULTS ANNOUNCEMENT**

The directors of China Innovation Investment Limited (the “Company”) announced the audited annual results of the Company for the year ended 31 December 2017 as follows:

#### **RESULTS**

Gross sales proceeds of securities for the year ended 31 December 2017 amounted to HK\$729,008,000 which making realised gains on securities investment of HK\$20,747,000 and unrealised gains of HK\$24,798,000, while the gross sales proceeds of securities for the year ended 31 December 2016 amounted to HK\$137,453,000 which making realised gains on securities investment of HK\$5,165,000 and unrealised holding losses of HK\$35,596,000.

Profit for the year and attributable to owners of the Company in 2017 amounted to approximately HK\$37,005,000, while the loss for the year and attributable to owners of the Company in 2016 amounted to approximately HK\$54,172,000.

The revenue and profit substantially increased for the year 2017 was mainly due to the good investment return from Hong Kong stock market and the increase of the unrealised holding gains from financial assets at fair value through profit and loss.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Gross sales proceeds of financial assets		<u>729,008</u>	137,453
REVENUE	4	<b>49,321</b>	(27,251)
OTHER INCOME		<b>9</b>	–
Administrative and other operating expenses		<u>(12,325)</u>	(26,921)
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>37,005</b>	(54,172)
Income tax expense	6	<u>–</u>	–
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>37,005</u></b>	<b>(54,172)</b>
<b>Earnings/(loss) per share</b>	8		
Basic		<b><u>0.289 cents</u></b>	(0.501 cents)
Diluted		<b><u>0.289 cents</u></b>	(0.501 cents)

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		–	–
Available-for-sale investments	9	297,282	268,682
Financial assets at fair value through profit or loss		6,267	–
Total non-current assets		303,549	268,682
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	923	84,085
Prepayments, deposits and other receivables		114,923	13,676
Cash and bank balances	11	255,301	270,984
Total current assets		371,147	368,745
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		890	626
Total current liabilities		890	626
<b>NET CURRENT ASSETS</b>		<b>370,257</b>	<b>368,119</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>673,806</b>	<b>636,801</b>
<b>NET ASSETS</b>		<b>673,806</b>	<b>636,801</b>
<b>EQUITY</b>			
Issued share capital	12	128,016	128,016
Reserves		545,790	508,785
<b>TOTAL EQUITY</b>		<b>673,806</b>	<b>636,801</b>

*Notes:*

## **1 CORPORATE INFORMATION**

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

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

## **2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current year and prior years.

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

## **3 OPERATING SEGMENT INFORMATION**

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

## Geographical information

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

	Hong Kong		PRC (not including Hong Kong)		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
Interest income	5	10	-	-	5	10
Dividend income from listed investments	3,771	3,170	-	-	3,771	3,170
Net realised gain on disposal of financial asset at fair value through profit or loss	20,747	5,165	-	-	20,747	5,165
Unrealised holding gains/ (losses) from financial assets at fair value through profit or loss	24,798	(35,596)	-	-	24,798	(35,596)
NON-CURRENT ASSETS	49,321	(27,251)	-	-	49,321	(27,251)
Property, plant and equipment	-	-	-	-	-	-

## 4 REVENUE

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

	2017 HK\$'000	2016 HK\$'000
Interest income	5	10
Dividend income from listed investments	3,771	3,170
Net realised gain on disposal of financial assets at fair value through profit or loss	20,747	5,165
Unrealised holding gains/(losses) from financial assets at fair value through profit or loss	24,798	(35,596)
	<b>49,321</b>	<b>(27,251)</b>

## 5 PROFIT/(LOSS) BEFORE TAX

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Auditor's remuneration	<b>206</b>	196
Depreciation	–	13
Investment manager's fee	<b>480</b>	480
Impairment loss on other receivables	–	15,000
Impairment loss on available-for-sale investments	–	2,082
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	<b>1,069</b>	722
Pension scheme contributions	<b>47</b>	20
Total employee benefits expenses	<b>1,116</b>	742
Operating lease charges	<b>960</b>	960
Interest income	<b>(5)</b>	(10)
Dividend income from listed investments	<b>(3,771)</b>	(3,170)

## 6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2017 and 2016 since the Company has no assessable profit arose in Hong Kong for both years.

The reconciliation between the income tax expense and the profit/(loss) before tax is as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) before tax	<b>37,005</b>	(54,172)
Tax at the statutory tax rate of 16.5% (2016: 16.5%)	<b>6,106</b>	(8,938)
Income not subject to tax	<b>(623)</b>	(525)
Expenses not deductible for tax	–	2,821
Utilisation of tax losses previously not recognised	<b>(5,483)</b>	–
Tax losses not recognised	–	6,642
Tax charge at the Company's effective tax rate	–	–

As at 31 December 2017, the Company had unused tax losses of approximately HK\$44,648,000 (2016: HK\$77,878,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

## 7 DIVIDENDS

The Directors did not recommend the declaration of any dividend for the years ended 31 December 2017 and 2016.

## 8 EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The calculation of basic profit/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$37,005,000 (2016: loss of approximately HK\$54,172,000) and the weighted average number of ordinary shares of 12,801,578,629 (2016: 10,817,336,894) in issue during the year.

### Diluted earnings/(loss) per share

The computation of diluted earnings per share does not assume the exercise the Company's share options because the exercise price of those options was higher than the average market price for shares for 2017. For the year ended 31 December 2016, the effects of all potential ordinary shares are anti-dilutive.

## 9 AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Unlisted securities, at cost		
Equity securities — Hong Kong	382,164	353,564
Less: Impairment	<u>(84,882)</u>	<u>(84,882)</u>
	<u>297,282</u>	<u>268,682</u>

The unlisted securities are stated at cost less accumulated impairment loss as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

Particulars of the Company's available-for-sale investments as at 31 December 2017 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 investee's capital	Principal activities	2017				2016		
						Cost HK\$'000	Impairment loss HK\$'000	Carrying amount HK\$'000	Dividend income received during the year HK\$'000	Dividend cover	Net assets attributable to the Company HK\$'000	Carrying amount HK\$'000
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 (2016: 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 (2016: nil)	N/A	100,933	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 (2016: nil)	N/A	131,226	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	(1,318)	76,607	Nil (2016: nil)	N/A	97,260	76,607
Grand Far Sky Limited ("Grand Far Sky")	Hong Kong	5,400 (2016: 3,000) class B ordinary shares*	2,500 class A ordinary shares and 9,400 (2016: 7,000) class B ordinary shares	45%	Investment holding (note v)	64,390 (2016: 35,790)	(764)	63,626	Nil (2016: nil)	N/A	67,855	35,026
						382,164	(84,882)	297,282				268,682

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

These companies are not treated as associates or subsidiaries because the Company is not in a position to control or exercise any significant influence over the financial and operating policies of these companies or to participate in their operations.



## Background information of the investee companies

Notes:

### (i) Blue Angel HK

Blue Angel HK is incorporated in Hong Kong and is principally engaged in investment holding. The principal activities of Blue Angel HK's group has not been changed during the years 2017 and 2016.

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").

With reference to the Company's announcements dated 16 November 2012, 22 November 2012, 26 November 2012, 1 December 2012 and 11 December 2012, the Company impaired the balance of the carrying amount of the investment of approximately HK\$78,300,000 in 2012 and charged to the profit or loss in the same year.

\* The English name is for identification purpose only

### (ii) United Overseas

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 materials for walls. The principal activities and assets in United Overseas' group has not been changed during the years 2017 and 2016.

**(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. The principal activities and assets in Aesthetic's group has not been changed during the years 2017 and 2016.

**(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. 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 2017 and 2016.

**(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 asset and funding platform to it customers, other third parties and the Company's long-term equity investment. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2017 and 2016.

On 10 October 2017, an additional capital investment of approximately of HK\$28,600,000 was injected into Grand Far Sky.

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

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets at fair value through profit or loss</b>		
Equity securities, at fair value		
Listed in Hong Kong	923	84,085
Structured Products and derivatives, at fair value	<u>6,267</u>	<u>–</u>
	<b>7,190</b>	<b>84,085</b>
Current portion	<u>(923)</u>	<u>(84,085)</u>
Non-current portion	<u><b>6,267</b></u>	<u>–</u>

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

Structured products and derivatives represents investments linked to bonds and hedge funds which are matured in 2020 and 2021, respectively.

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 HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
<b>At 31 December 2017</b>								
HSBC Holdings PLC ("HSBC")	1	8,000	less than 1%	780	640	(140)	–	587
China Resources Gas Group Ltd ("China Resources")	2	10,000	less than 1%	290	283	(7)	–	90
<b>At 31 December 2016</b>								
CK Hutchison Holdings Ltd ("CK Hutchison")		400,000	less than 1%	37,383	35,160	(2,223)	406	44,611
Modern Land (China) Co. Ltd ("Modern Land")		47,500,000	2.28%	71,500	48,925	(22,575)	2,711	109,186

*Notes:*

1. HSBC HOLDINGS PLC was incorporated in the England and its shares are listed on the Stock Exchange (stock code: 0005). The principal activities of HSBC are retail banking and wealth management, commercial banking, global banking and markets, and global private banking. For the six months period ended 30 June 2017, the unaudited consolidated profit was approximately of USD13,241,000,000 (equivalent to HKD102,713,526,567). At 30 June 2017, the unaudited consolidated net assets was approximately of USD195,786,000,000 (equivalent to HKD1,519,612,617,600).
2. CHINA RESOURCES GAS GROUP LTD. was incorporated in the Bermuda and its shares are listed on the Hong Kong Stock Exchange (stock code: 1193). The principal activities of China Resources are the sale and distribution of gas fuel and related products for residential, commercial and industrial use. For the six months period ended 30 June 2017, the unaudited consolidated profit was approximately of HKD2,114,477,000 . At 30 June 2017, the unaudited consolidated net assets was approximately of HKD35,905,071,000.

## 11 CASH AND CASH EQUIVALENTS

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 (2016: approximately RMB70,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 12 SHARE CAPITAL

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Authorised:		
100,000,000,000 ordinary shares of HK\$0.01 each (2016: 15,000,000,000 ordinary shares of HK\$0.01 each)	<b>1,000,000</b>	150,000
Issued and fully paid:		
12,801,578,629 ordinary shares of HK\$0.01 each (2016: 12,801,578,629 ordinary shares of HK\$0.01 each)	<b>128,016</b>	128,016

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

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
At 1 January 2016	8,514,386	85,144
Open offer	4,267,193	42,672
Exercise of share options	20,000	200
	<hr/>	<hr/>
At 31 December 2016, 1 January 2017 and 31 December 2017	<u>12,801,579</u>	<u>128,016</u>

*Notes:*

- (a) On 20 June 2016, a total of 4,267,192,876 ordinary shares of HK\$0.01 each was allotted and issued to the qualifying shareholders of the Company on the basis of one offer share for every two shares held on 24 May 2016, at a subscription price of HK\$0.05 per share. Upon completion of the open offer, the premium on the issue of shares amounting to approximately HK\$163,320,000, net of share issue expenses of approximately HK\$7,368,000, was credited to the Company's share premium account.
- (b) At the annual general meeting of the Company held on 21 June 2017, the increase in the authorised share capital to HK\$1,000,000,000 divided into 100,000,000,000 shares was duly passed as ordinary resolutions of the Company.

**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 2017 and 2016.

**13 NET ASSET VALUE PER SHARE**

As at 31 December 2017 and 2016, the net asset value per share of the Company was HK\$0.05 and HK\$0.05, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2017 of approximately HK\$673,806,000 (2016: HK\$636,801,000) and 12,801,578,629 (2016: 12,801,578,629) ordinary shares in issue at the end of each reporting period.

## **BUSINESS REVIEW**

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

### **Investing in unlisted companies**

As at 31 December 2017, 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\$76,607,000, HK\$78,349,000, HK\$78,700,000, nil and HK\$63,626,000 respectively.

### **Investing in listed companies**

The Company focuses on investing listed companies in Hong Kong on short terms. For the year ended 31 December 2017, the gross sales proceeds of financial assets is HK\$729,008,000 (2016: HK\$137,453,000) which realised gains on securities investment is HK\$20,747,000 (2016: realised gains HK\$5,165,000) and unrealised gain is HK\$24,798,000 (2016: unrealised losses HK\$35,596,000).

## **INVESTMENT PORTFOLIOS**

As at 31 December 2017, the Company holds certain listed investment and structured products and derivatives which are disclosed in note 10 to the financial statement.

As at 31 December 2017, the Company holds the following unlisted investments which are also disclosed in note 9 to the financial statement:

- (i) Topsun Creation Limited ("Topsun") is incorporated in Hong Kong and principally engaged in investment holding. Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity was in relation to new energies as its major products. 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. The Company holds 8,500 “B” non-voting shares in Aesthetic, representing 85% interest in the issued share capital of Aesthetic. No dividend was received during the year.
- (iii) United Crown Future Company Limited (“United Overseas”) is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas holds 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving 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. The Company holds 48,500 “B” non-voting shares in Blue Angel HK, representing 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 asset management. The Company holds 5,400 “B” non-voting shares in Grand Far Sky, which represented 45.38% 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 2017, the Company had cash and bank balances of approximately HK\$255,301,000. All the cash and bank balances were mainly denominated in Hong Kong dollars.

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 2017. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

## FOREIGN CURRENCY FLUCTUATION

During the year, the Company conducted its business transactions principally in Renminbi and Hong Kong dollars. The Directors considered that the Company had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

## COMMITMENTS

### Lease commitments

As at 31 December 2017, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings and motor vehicles:		
– within one year	<b>960</b>	480
– In the second to fifth years inclusive	<b>1,440</b>	–
	<b>2,400</b>	480

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



## RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	<i>(a)</i>	<b>480</b>	480
Rental expenses paid to New Era Group (China) Limited ("NEG")	<i>(b)</i>	<b>960</b>	960
Rental deposit paid to NEG	<i>(b)</i>	<b>160</b>	160

*Notes:*

- (a) The Company entered into an investment management agreement with CES for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served.

In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. On 23 October 2007, a First Supplemental Agreement was entered into between the Company and CES whereas the service fee was fixed at HK\$300,000 per annum by a monthly payment of HK\$25,000 ("Investment Management Fee") and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES.

On 28 February 2012, the Company and CES entered into of the Second Supplemental Agreement which lasts for 3 years commenced with effect from 20 May 2013 and shall terminate on 19 May 2015. Pursuant to this agreement, the Investment Management Fee is increased to HK\$960,000 per annum with effect from 20 May 2012, and payable monthly by the Company to CES at HK\$80,000 per month. Furthermore, it was agreed that the Company and CES shall not terminate the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) within the twelve months commencing from 20 May 2012.

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

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

- (b) The Company entered into a tenancy agreement (the "Tenancy Agreement") with NEG, a company of which Mr. Xiang Xin, a director of the Company has control, for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position. During the year ended 31 December 2011, the Tenancy Agreement had been renewed for further 3 years commenced from 1 July 2011. On 1 January 2014, the Tenancy Agreement had been renewed further 3 years commenced from 1 July 2014 with the same terms and conditions. On 5 May 2017, the Tenancy Agreement had been has been further extended a 36 months commencing from 1 July 2017 with the same terms and conditions.

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>210</b>	281

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

As at 31 December 2017, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

## **PROSPECT**

The Company is one of the few investment companies in Hong Kong focusing investment in integration 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 charge storage products, lighting products, energy-saving materials and media terminals respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the four industries of “New Energy”, “New Light”, “New Materials” and “New Media” in real projects.

For “New Energy”, the Company invests in Topsun Creation Limited (“Topsun”), which adopts the power reserve patent technology as its own core to develop the strategy of “Production – Research – Preliminary Research” for the research and manufacturing of solar photovoltaic system.

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 wall industry in the People’s Republic of China (the “PRC”) market, United Overseas mainly specialises in research and development of energy-saving materials for walls.

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

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

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in low carbon technology, in order to build a greener low-carbon living.

Looking forward, the Company will continue to explore the investment opportunities to achieve medium-term capital appreciation.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2017.

## **CAPITAL STRUCTURE**

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE 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 2017, 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 2017, 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.

## **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 throughout the Year.

The Company also has established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

## **EMPLOYEE INFORMATION**

As at 31 December 2017, the Company had 11 (2016: 11) staffs and the total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$1,116,000 (2016: of approximately HK\$742,000) during the year under review. Total remuneration increased during the year because of position promotion and salary increase of staff during the year 2017. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

## SCOPE OF WORK OF AUDITORS

The figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Company's audited financial statements for the year ended 31 December 2017. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## AUDIT COMMITTEE

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

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

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

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

## **PUBLICATION OF ANNUAL REPORT**

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

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

Hong Kong, 16 March 2018

*As at the date of this announcement, the executive Directors of the Company are Mr. Xiang Xin (Chairman) and Mr. Chan Cheong Yee; the independent non-executive Directors of the Company are Mr. Wang Xin David, Mr. Chan, Wing Kong Ringo, Mr. Lee Wing Hang and Ms. Zhou Zan. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.*