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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 with comparative figures for the corresponding period of 2017 as follows:

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
Notes		(Unaudited)	(Unaudited)
	Gross proceeds from disposal of securities	<u>15,591</u>	114,985
	Interest income	6,325	2
	Dividend income	10	778
	Other income	0	9
	Net realised gain/(loss) on disposal of financial assets at fair value through profit or loss	(84)	1,245
	Unrealised holding gain/(loss) from financial assets at fair value through profit or loss	0	15,841
	Administrative and other operating expenses	<u>(2,376)</u>	(5,237)
	Profit/(loss) before taxation	3,875	12,638
	Income tax expense	<u>–</u>	–
	Profit/(loss) for the period and attributable to owners of the Company	<u>3,875</u>	<u>12,638</u>
	Total comprehensive profit/(loss) for the period and attributable to owners of the Company	<u>3,642</u>	<u>12,638</u>
	Earnings/(loss) per share		
	Basic	<u>0.030 cents</u>	0.099 cents
	Diluted	<u>N/A</u>	N/A

CONDENSED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		–	–
Available-for-sale investments	6	297,282	297,282
Financial assets at fair value through profit or loss		6,267	6,267
		303,549	303,549
CURRENT ASSETS			
Financial assets at fair value through profit and loss		0	923
Prepayment, deposits and other receivables		216,338	114,923
Cash and bank balances	7	157,710	255,301
		374,048	371,147
CURRENT LIABILITIES			
Other payables and accruals		149	890
		149	890
NET CURRENT ASSETS		373,899	370,257
NET ASSETS		677,448	673,806
EQUITY			
Issued share capital	8	128,016	128,016
Reserves		549,432	545,790
TOTAL EQUITY		677,448	673,806
Net asset value per share	10	HK\$0.05	HK\$0.05

CONDENSED STATEMENT OF CHANGES IN EQUITY

	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 <i>HK\$'000</i>
At 1 January 2018 (Audited)	128,016	655,342	9,456	(119,008)	673,806
Total comprehensive profit for the period	-	-	(233)	3,875	3,642
At 30 June 2018 (Unaudited)	128,016	655,342	9,223	(115,133)	677,448
At 1 January 2017 (Audited)	128,016	655,342	9,456	(156,013)	636,801
Total comprehensive profit for the period	-	-	-	12,638	12,638
At 30 June 2017 (Unaudited)	128,016	655,342	9,456	(143,375)	649,439

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 2018, the Company's reserve available for distribution amounted to approximately HK\$539,976,000 (30 June 2017: approximately HK\$511,967,000).
- (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

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(97,591)	(195,256)
Net cash generated from financing activities	<u> -</u>	<u> -</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(97,591)	(195,256)
Cash and cash equivalents at the beginning of the period	<u>255,301</u>	<u>270,984</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>157,710</u>	<u>75,728</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>157,710</u>	<u>75,728</u>

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 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 2017.

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 2018. 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.

3 PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
The Company's profit/(loss) before taxation is arrived at after charging:		
Auditors' remuneration	118	98
Depreciation of property, plant and equipment	–	–
Employee benefit expense, including Directors' remuneration		
– wages, salaries and welfare	464	521
– contribution to retirement benefits scheme	19	21
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 2018 and 30 June 2017 as the Company did not generate any assessable profits.

5 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$3,875,000 (six months ended 30 June 2017: profit of HK\$12,638,000) and the weighted average number of 12,801,578,629 (six months ended 30 June 2017: 12,801,578,629) shares in issue during the period.

The computation of the diluted earnings/(loss) per share does not assume the exercise of the Company's share options as the exercise would increase/decrease the earnings/(loss) per share of current period and prior period, respectively.

6 AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
	Unlisted equity securities, at cost	382,164
Less: Impairment	(84,882)	(84,882)
	297,282	297,282

7 CASH AND BANK BALANCES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Cash at banks	157,707	255,298
Cash on hand	<u>3</u>	<u>3</u>
	<u>157,710</u>	<u>255,301</u>

8 SHARE CAPITAL

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Authorised: 100,000,000,000 ordinary shares of HK\$0.01 each (31 December 2017: 100,000,000,000) (<i>note</i>)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 12,801,578,629 ordinary shares of HK\$0.01 each (31 December 2017: 12,801,578,629)	<u>128,016</u>	<u>128,016</u>

Note: The Increase in Authorised Share Capital to HK\$1,000,000,000 divided into 100,000,000,000 Shares was approved by the shareholders of the Company in the annual general meeting held on 21 June 2017.

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 expired, 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 issued, 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 period 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 closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five business days immediately preceding the date of grant (subject to the higher).

Movement of the options granted under the Scheme for the period ended 30 June 2018 and 30 June 2017 are as follows:

Date of grant	Exercise period	Number of share options					Outstanding as at 30 June 2018	Exercise price per share option HK\$
		Outstanding as at 1 January 2018	Granted during the period (note 1)	Lapsed during the period (note 2)	Cancelled during the period (note 3)	Exercised during the period		
6 July 2014	6 July 2014 - 5 July 2024	539,526,316	-	40,263,158	30,197,368	-	469,065,790	0.0497
4 April 2018	4 April 2018 - 3 April 2028	-	60,000,000	-	-	-	60,000,000	0.0497
		539,526,316	60,000,000	40,263,158	30,197,368	-	529,065,790	

Note 1: Mr. Chan, Wing Kong Ringo and Ms. Zhou Zan were granted 30,000,000 share options respectively on 4 April 2018.

Note 2: Mr. Li Zhou resigned as consultant on 1 January 2018. Mr. Zang Hong Liang resigned as director on 1 January 2018. As a result, 40,263,158 share options in sum were lapsed during the six months ended 30 June 2018.

Note 3: Mr. David Wang Xin couldn't perform his position as director due to his loss of contact since 28 February 2018. As a result, 30,197,368 share options were cancelled during the six months ended 30 June 2018.

		Number of share options						
Date of grant	Exercise period	Outstanding	Granted during the period	Expired during the period	Exercised during the period	Outstanding	Exercise price per share option HK\$	
		as at 1 January 2017				as at 30 June 2017		
6 July 2014	6 July 2014 – 5 July 2024	539,526,316	-	-	-	539,526,316	0.0497	

10 NET ASSETS VALUE PER SHARE

The net asset value per share of the Company is HK\$0.05 (31 December 2017: HK\$0.05). The calculation of net asset value per share is based on the net asset of the Company as at 30 June 2018 of approximately HK\$677,448,000 (31 December 2017: HK\$673,806,000) and 12,801,578,629 ordinary shares in issued (31 December 2017: 12,801,578,629) at the end of reporting period.

11 RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 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 China Everbright Securities (HK) Limited (“CES”) for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served.

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

On 28 February 2012, the Company and CES entered into 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 15 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.

On 10 May 2018, the Company and CES entered into the Fifth Supplemental Agreement which lasts for 3 years commenced with effect from 20 May 2018 and shall terminate on 19 May 2021. For detail of changes in terms and conditions, please refer to the Company's announcement dated 10 May 2018.

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

12 COMMITMENTS

Lease commitments

As at 30 June 2018, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within one year	960	960
In the second to fifth years inclusive	960	1,440
	1,920	2,400

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 2018.

14 INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2018, the Company recorded gross proceeds from disposal of securities are approximately HK\$15,591,000 (six months ended 30 June 2017: HK\$114,985,000). For the six months ended 30 June 2018, the Company recorded Revenue of approximately HK\$6,335,000 (Six months ended 30 June 2017: HK\$789,000) while net realized loss on disposal of financial assets was approximately HK\$84,000 (Six month ended 30 June 2017, net realized gain: HK\$1,245,000).

The profit for the six months ended 30 June 2018 was approximately HK\$3,875,000 while the profit for the corresponding period of 2017 was approximately HK\$12,638,000.

Business review

The Company is an investment 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 (the "Listing Rules").

1. on 12 January 2018, the Company entered into framework agreement ("Framework Agreements") with Power Energy Solutions, Inc. ("Power Energy") in relation to investment in part of equity interests of Power Energy.

Pursuant to the Framework Agreement, the Company intends to acquire or subscribe part of the equity interests of Power Energy by way of cash payment, issuance of convertible bonds or combine these two payment methods. Specific transaction consideration and terms will be determined based on the Company's due diligence findings and the independent third party's valuation for the Power Energy.

2. The Company entered into the Investment Management Agreement and Supplemental Agreements ("Investment Management Agreements") on 20 May 2003, 23 October 2007, 28 February 2012, 19 December 2013 and 15 May 2015 with respect to the appointment of China Everbright Securities (HK) Limited ("China Everbright") as investment Manager of the Company.

On 10 May 2018 the Company and China Everbright entered into the fifth supplemental agreement of the Investment Management Agreements, pursuant to which the Investment Management Agreements is extended for three years from 20 May 2018 to 19 May 2021.

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 companies 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.

Investment Portfolios

As at 30 June 2018, the Company holds the following investments:

- (i) Topsun Creation Limited (“Topsun HK”) was incorporated in Hong Kong and principally engaged in investment holding. Topsun HK directly holds 100% interests in a company incorporated in the PRC, which the principal activity was in relation to new energies. The Company holds 2,710 “B” non-voting shares in Topsun HK, representing 67.75% interests in the issued share capital of Topsun HK. No dividend was received during the period.
- (ii) Aesthetic Vision Limited (“Aesthetic HK”) was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic HK include its wholly-owned subsidiary incorporated in the PRC. Aesthetic HK 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 HK, representing 85% interests in the issued share capital of Aesthetic HK. No dividend was received during the period.
- (iii) United Crown Future Company Limited (“United Overseas”) was incorporated in British Virgin Island and principally engaged in investment holding. United Overseas directly holds 100% interests in a company incorporated in the PRC, 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% interests in the issued share capital of United Overseas. No dividend was received during the period.

- (iv) Blue Angel (H.K.) Limited (“Blue Angel HK”) was incorporated in Hong Kong and principally engaged in investment holding. The Company holds 48,500 “B” non-voting shares in Blue Angel HK, which represented 62.99% interests in the issued share capital of Blue Angel HK. No dividend was received during the period.
- (v) Grand Far Sky Limited (“Grand Far Sky HK”) was incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of asset and funds platform. Grand Far Sky HK holds 100% interests 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 HK, which represented 56.84% interests in the issued share capital of Grand Far Sky HK. No dividend was received during the period.

Liquidity and financial position

As at 30 June 2018, the Company had cash and cash equivalents of approximately HK\$157,710,000. All the cash and cash equivalents were mainly denominated in Hong Kong dollars.

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 2018. Taking into consideration the existing financial resources of the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Capital structure

Details in the changes of the capital structure of the Company during the six months ended 30 June 2018 are set out in note 8 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2018.

Foreign currency fluctuation

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 asset and contingent liabilities

As at 30 June 2018, the Company has not pledged its assets and the Company did not have any significant contingent liabilities.

Employee information

As at 30 June 2018, the Company had 11 (2017: 10) staff.

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 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, the Company had not purchased, sold or redeemed the Company's any listed securities.

CORPORATE GOVERNANCE PRACTICE

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the six months ended 30 June 2018, 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 period, Mr. Xiang Xin was 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 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 2018.

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 consists of three independent non-executive Directors, namely Mr. Chan, Wing Kong Ringo, Mr. Lee Wing Hang and Ms. Zhou Zan. Mr. Chan, Wing Kong Ringo is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Company and to provide advice and comments to the Board, to oversee the audit process and to perform other duties and responsibilities as may be assigned by the Board from time to time.

The Company's unaudited condensed financial statements for the six months ended 30 June 2018 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 2018.

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

Hong Kong, 24 August 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. Chan, Wing Kong Ringo, Mr. Lee Wing Hang and Ms. Zhou Zan. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.