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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)

### **2019 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 2019 as follows:

#### **RESULTS**

Gross sales proceeds of securities for the year ended 31 December 2019 amounted to HK\$257,605,000, while the gross sales proceeds of securities for the year ended 31 December 2018 amounted to HK\$234,210,000.

Profit for the year and attributable to owners of the Company in 2019 amounted to approximately HK\$23,872,000, while the profit for the year and attributable to owners of the Company in 2018 amounted to approximately HK\$10,172,000.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Gross sales proceeds of investments		<u>257,605</u>	234,210
<b>REVENUE</b>	4	<b>31,968</b>	(4,895)
Other income	4	4	21,298
Administrative and other operating expenses		<b>(8,055)</b>	(6,231)
Finance costs		<u>(45)</u>	–
<b>PROFIT BEFORE TAX</b>	5	<b>23,872</b>	10,172
Income tax expense	6	–	–
<b>PROFIT FOR THE YEAR</b>		<b><u>23,872</u></b>	<u>10,172</u>
<b>OTHER COMPREHENSIVE LOSS:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		<u>(7,874)</u>	(672)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<b><u>(7,874)</u></b>	<u>(672)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>15,998</u></b>	<u>9,500</u>
<b>EARNINGS PER SHARE</b>			
Basic	8	<u>0.186 cents</u>	0.079 cents
Diluted		<u>0.186 cents</u>	0.079 cents

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		–	–
Right-of-use assets		463	–
Equity investments at fair value through other comprehensive income	9	311,544	296,637
Investments at fair value through profit or loss	10	3,463	1,316
Total non-current assets		<u>315,470</u>	<u>297,953</u>
<b>CURRENT ASSETS</b>			
Investments at fair value through profit or loss	10	356,730	184,755
Prepayments, deposits and other receivables		27,520	14,525
Cash and bank balances	11	12,701	187,294
Total current assets		<u>396,951</u>	<u>386,574</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		11,691	270
Lease liabilities		475	–
Total current liabilities		<u>12,166</u>	<u>270</u>
<b>NET CURRENT ASSETS</b>		<u>384,785</u>	<u>386,304</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>700,255</u>	<u>684,257</u>
<b>NET ASSETS</b>		<u>700,255</u>	<u>684,257</u>
<b>EQUITY</b>			
Issued share capital	12	128,016	128,016
Reserves		572,239	556,241
<b>TOTAL EQUITY</b>		<u>700,255</u>	<u>684,257</u>

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 investments. Its principal investment objective is to achieve 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Company has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Company’s financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

### **HKFRS 16 Leases**

The Company has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

## **Definition of a lease**

The Company has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Company has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Company applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

## **As a lessee**

The Company has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference, if any, at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Company applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of buildings in the PRC and Hong Kong was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Company's leases with extension and termination options.

At 1 January 2019, the Company recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Company has applied its incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.0%.

	<b>2019</b> <b>HK\$'000</b>
Operating lease commitments disclosed as at 31 December 2018	<u>1,440</u>
Lease liabilities discounted at relevant incremental borrowing rates and lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>1,390</u>
Analysed as	
Current	915
Non-current	<u>475</u>
	<u>1,390</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<b>HK\$'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>1,390</u>

***New and amendments to HKFRSs in issue but not yet effective***

The Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

### 3 OPERATING SEGMENT INFORMATION

The Company's operating segment is investments which comprise 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 which its revenue and non-current assets are entirely contributed from the investments, no further analysis thereof is presented.

#### Geographical information

The Company's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

### 4. REVENUE AND OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>		
Bank interest income	4,355	145
Income from structured products	4,167	15,273
Dividend income from listed investments	–	10
Net realised gain/(losses) on disposal of investments at fair value through profit or loss	21,369	(127)
Unrealised holding gain/(losses) from investments at fair value through profit or loss	2,077	(20,196)
	<b>31,968</b>	<b>(4,895)</b>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other income</b>		
Recovery of impairment loss of other receivable ( <i>Note</i> )	–	15,000
Sundry income	4	6,298
	<b>4</b>	<b>21,298</b>

*Note:*

In 2015, the Company paid a refundable deposit of HK\$15,000,000 to China Culture Media International Holdings Limited (“China Culture”) to acquire certain equity interest of its subsidiary. However, the potential acquisition was terminated and China Culture refused to refund the deposit. The Company took legal action against China Culture and Mr. Si Rongbin, the beneficial owner and guarantor of China Culture. As at 31 December 2016, the management considered the refundable deposit was in doubt and fully impaired the deposit. During the year ended 31 December 2018, the refundable deposit has been recovered from a court order.

The liquidations of China Culture was sanctioned by order of the High Court of the British Virgin Islands on 24 October 2018. The total indebtedness admitted by the joint liquidators was discharged in full and final settlement by way of the cash payment.

For details, please refer to the Company’s announcement dated 2 November 2018.

## 5. PROFIT BEFORE TAX

The Company’s profit before tax is arrived at after charging:

	<b>2019</b>	2018
	<b>HK\$’000</b>	HK\$’000
Auditor’s remuneration	<b>274</b>	230
Investment management fee	<b>480</b>	480
Employee benefits expenses (including directors’ remuneration):		
Wages, salaries and welfare	<b>1,021</b>	1,828
Pension scheme contributions	<b>40</b>	38
Equity-settled Share-based payments	–	924
Total employee benefits expenses	<b>1,061</b>	2,790
Exchange loss	<b>2,277</b>	–
Depreciation of right-of-use assets	<b>927</b>	–
Operating lease charges	–	960



## 6. INCOMETAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2019 and 2018 since the Company has no assessable profit arosed in Hong Kong for both years.

The reconciliation between the income tax expense and the profit before tax is as follows:

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit before tax	<b>23,872</b>	10,172
Tax at the statutory tax rate of 16.5% (2018: 16.5%)	<b>3,939</b>	1,678
Income not subject to tax	<b>(716)</b>	(24)
Expenses not deductible for tax	–	176
Utilisation of tax losses previously not recognised	<b>(3,223)</b>	(1,830)
Tax charge at the Company's effective tax rate	–	–

As at 31 December 2019, the Company had unused tax losses of approximately HK\$33,819,000 (2018: HK\$53,200,000) 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 2019 and 2018.

## 8. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic profit 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\$23,872,000 (2018: approximately HK\$10,172,000) and the weighted average number of ordinary shares of 12,801,578,629 (2018: 12,801,578,629) in issue during the year.

### Diluted earnings 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 2019 and 2018.

## 9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance represented the Company's unlisted equity securities designated by the Company at fair value through other comprehensive income.

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Unlisted equity securities	<b>311,544</b>	296,637

Particulars of the Company's equity investments at fair value through other comprehensive income as at 31 December 2019 disclosed pursuant to the Chapter 21 of the Listing Rules 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 owned	Principal activities	2019			2018		
						Accumulated fair value adjustment since acquisition		Dividend income received during the year	Net assets attributable to the Company	Carrying Amount	
						Cost	Fair value				Cost
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
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	52.68%	Investment holding (note i)	78,700	(6,050)	72,650	Nil (2018: nil)	109,625	75,325
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	85.00%	Investment holding (note ii)	78,349	4,731	83,080	Nil (2018: nil)	123,137	85,109
Topsun Creation Limited ("Topsun")	Hong Kong	2,710 class B ordinary shares*	690 class A ordinary shares and 3,310 class B ordinary shares	67.75%	Investment holding (note iii)	77,925	(8,106)	69,819	Nil (2018: nil)	102,530	72,167
Grand Far Sky Limited ("Grand Far Sky")	Hong Kong	5,400 class B ordinary shares*	2,500 class A ordinary shares and 7,000 class B ordinary shares	56.84%	Investment holding (note iv)	64,390	(1,176)	63,214	Nil (2018: nil)	81,217	64,036
FengTian Capital Limited ("FengTian")	Hong Kong	2,200 ordinary shares	8,800 ordinary shares	25.00%	Investment holding (note v)	22,781	-	22,781	Nil	27,278	-
						<u>322,145</u>	<u>(10,601)</u>	<u>311,544</u>		<u>443,787</u>	<u>296,637</u>

\* 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. The investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss. Therefore, the unlisted equity investments of the Company are measured at fair value for financial reporting purposes. The fair value of the unlisted equity investments of the Company is determined by independent professional valuer, CHFT Advisory and Appraisal Limited. The valuation is based on market approach.

## **Background information of the investee companies**

*Notes:*

**(i) United Overseas**

United Overseas is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas is the direct 100% equity 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 2019 and 2018.

**(ii) 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 2019 and 2018.

**(iii) 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. The principal activities and assets in Topsun's group has not been changed during the years 2019 and 2018.

**(iv) 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 100% equity interest in a company established in the PRC, which is principally engaged in the asset management business to provide solutions to its customers. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2019 and 2018.

(v) **FengTian**

On 20 December 2019, the Company acquired 25% shareholding in FengTian from Nopo International Limited, a wholly owned subsidiary of China Trends Holdings Limited at a consideration of HK\$22,781,000. The directors consider that its carrying amount approximates its fair value as at 31 December 2019. As at 31 December 2019, part of the consideration, amounting to HK\$11,390,500 was not paid and recorded as other payables and accruals.

FengTian is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of FengTian is the direct 88% equity interest in a company established in the PRC, which holds the solution of health communication products and the copyright of a film library.

**10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Investments at fair value through profit or loss</b>		
Equity securities listed in Hong Kong	<b>355,630</b>	–
Derivatives, at fair value	<b>4,563</b>	1,316
Structured products, at fair value	–	184,755
	<b>360,193</b>	186,071
Current portion	<b>(356,730)</b>	(184,755)
Non-current portion	<b>3,463</b>	1,316

The fair values of the equity securities listed in Hong Kong are based on current bid prices.

Particulars of the Company's principal equity securities listed in Hong Kong as at 31 December 2019 disclosed pursuant to the Chapter 21 of the Listing Rules are as follows:

Listed equity securities	Notes	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised holding gain/(loss) HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
<b>At 31 December 2019</b>								
CLP Holdings Limited	1	796,000	0.03%	66,158	65,192	(966)	–	37,603
HSBC Holdings plc	2	1,150,000	0.01%	69,897	69,977	80	–	83,489
Link Real Estate Investment Trust	3	800,000	0.04%	65,170	66,000	830	–	73,543
Hong Kong Exchanges and Clearing Limited	4	250,000	0.02%	64,225	63,250	(975)	–	8,823
Tracker Fund Of Hong Kong	5	2,500,000	0.08%	71,000	71,375	375	–	72,404

1. CLP Holdings Limited was incorporated in Hong Kong and its shares are listed on the Stock Exchange (stock code: 0002). Its principal activities are to generate, transmit, and distribute electricity in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia. At 31 December 2019, the audited consolidated net assets was approximately of HK\$119,329 million.
2. HSBC Holdings Plc was incorporated in the England and its shares are listed on the Stock Exchange (stock code: 0005). Its principal activities are retail banking and wealth management, commercial banking, global banking and markets, and global private banking. At 31 December 2019, the audited consolidated net assets was approximately of USD192,668 million (equivalent to HK\$1,502,810 million).
3. Link Real Estate Investment Trust was incorporated in Hong Kong and its shares are listed on the Stock Exchange (stock code: 0823). It is the first real estate investment trust listed in Hong Kong, with a portfolio comprising retail facilities, car parks and offices. At 30 September 2019, the unaudited consolidated net assets was approximately of HK\$189,926 million.
4. Hong Kong Exchanges and Clearing Limited was incorporated in Hong Kong and its shares are listed on the Stock Exchange (stock code: 0388). It owns and operates stock exchanges and futures exchanges, and related clearing houses in Hong Kong with five major segments: cash, equity and financial derivatives, commodities, clearing, and platform and infrastructure. At 31 December 2019, the audited consolidated net assets was approximately of HK\$44,501 million.
5. Tracker Fund Of Hong Kong is a unit trust listed on the Stock Exchange (stock code: 2800). It provides investment results that closely correspond to the performance of the Hang Seng Index. At 30 June 2019, the unaudited consolidated net assets was approximately of HK\$87,174 million.

At 31 December 2018, there were no listed equity securities held by the Company.

Derivatives represents investments linked to bonds and hedge funds which are held in terms of cash settlement upon the maturity date of the relevant contracts in 2020 and 2021 respectively as at 31 December 2019 and 2018. Structured products as at 31 December 2018 represents investments in equity-linked notes which are matured in 2019 and are converted into listed equity securities in Hong Kong subsequent to the end of the reporting period.

The Company's derivatives and structured products are measured at fair value for financial reporting purposes. The fair value of the derivatives and structured products of the Company are determined by independent professional valuer, Norton Appraisals Holdings Limited. The valuation is based on Monte Carlo method.

## 11. CASH AND BANK BALANCES

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 bank balances approximate to their fair value.

At the end of the reporting period, the bank and cash balances of the Company denominated in USD was approximately USD10,000 (2018: USD10,000) (equivalent to approximately HK\$77,000 (2018: HK\$77,000)).

## 12. SHARE CAPITAL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised:		
100,000,000,000 ordinary shares of HK\$0.01 each (2018: 100,000,000,000 ordinary shares of HK\$0.01 each)	<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 (2018: 12,801,578,629 ordinary shares of HK\$0.01 each)	<u>128,016</u>	<u>128,016</u>

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

	Number of shares '000	Amount <i>HK\$'000</i>
At 1 January 2018, 31 December 2018 and 31 December 2019	<u>12,801,579</u>	<u>128,016</u>

### 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 2019 and 2018.

The externally imposed capital requirements is that for the Company to maintain its listing on the Main Board of the Stock Exchange it has to have a public float of at least 25% of the shares.

**13. NET ASSET VALUE PER SHARE**

As at 31 December 2019 and 2018, 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 2019 of approximately HK\$700,255,000 (2018: HK\$684,257,000) and 12,801,578,629 (2018: 12,801,578,629) ordinary shares in issue at the end of each reporting period.



## **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").

### **Investing in unlisted companies**

As at 31 December 2019, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future Company Limited, FengTian Capital Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$69,819,000, HK\$83,080,000, HK\$72,650,000, HK\$22,781,000 and HK\$63,214,000 respectively.

### **Investing in listed companies**

The Company also invest listed companies in Hong Kong on short terms. For the year ended 31 December 2019, the gross sales proceeds of securities is HK\$257,605,000 (2018: HK\$234,210,000).

## **INVESTMENT PORTFOLIOS**

As at 31 December 2019, the Company holds certain listed investment and structured products and derivatives which are disclosed in note 10 to this announcement.

As at 31 December 2019, the Company holds the following unlisted investments which are also disclosed in note 9 to this announcement:

- (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) FengTian Capital Limited (“FengTian”) was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of FengTian include its 88% owned subsidiary incorporated in the PRC but owning 100% shareholding interests. FengTian possesses the solution of health communication products (health mobile phones) and the copyright of big children’s animation series. The Company holds 2,200 voting shares in FengTian, representing 25% interest in the issued share capital of FengTian. 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 assets. Grand Far Sky holds a 100% interest in a subsidiary incorporated in the PRC, of which the principle activity is asset management. The Company holds 5,400 “B” non-voting shares in Grand Far Sky, which represented 56.84% 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 2019, the Company had cash and bank balances of approximately HK\$12,701,000. 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 (ratio of net debt to shareholders’ funds) as at 31 December 2019. 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 United States dollars 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.

## OPERATING LEASE COMMITMENTS

### Lease commitments

As at 31 December 2018, the Company had the total future minimum lease payments under non-cancellable operating leases in respect of owned properties as follows:

	<b>2018</b> <i>HK\$'000</i>
Within one year	960
In the second to fifth years inclusive	<u>480</u>
	<u>1,440</u>

## 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>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	<i>(a)</i>	<u><b>480</b></u>	<u>480</u>
Rental expenses paid to New Era Group (China) Limited ("NEG")	<i>(b)</i>	<u><b>960</b></u>	<u>960</u>
Rental deposit paid to NEG	<i>(b)</i>	<u><b>160</b></u>	<u>160</u>

*Notes:*

- (a) The Company entered into an investment management agreement with CES since 2003. CES is regarded as related party of the Company as the directors are of the view that CES is providing key management personnel services to the Company through its investment management services.
- (b) NEG, is a company of which Mr. Xiang Xin, a director of the Company has control.
- (ii) Compensation of key management personnel of the Company:

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Short term employee benefits	<b>206</b>	1,134

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

As at 31 December 2019, 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 on investment business. 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 China market over years, the Company recently invested in energy storage products, lighting products, energy-saving materials, health communications and asset management respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the five industries of “New Energy”, “New Light”, “New Materials” , “New Health” and “New Capital” 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 China market, United Overseas mainly specialises in research and development of energy-saving materials for walls with features of energy saving and environmental protection, which are widely used in the field of construction and decoration.

For “New Health”, the Company invested in FengTian Capital Limited (“FengTian”). Fengtian holds the solution of health communication products (health mobile phones) and the copyright of a sizeable children’s animation series, specializing in health communication products and developing children health industries.

For “New Capital”, the Company invested in Grand Far Sky Limited (“Grand Far Sky”). Grand Far Sky is engaged in the asset management business of providing new industries, providing solutions for innovative companies to increase revenue and reduce costs, and at the same time obtain management benefits.

Being dedicated to outline a completed industry chain of energy conservation and to contribute its effort to green low-carbon living style, the Company is actively seeking more lucrative investment opportunities related to this sector.

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 2019.

## **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.

## **EVENT AFTER THE REPORTING PERIOD**

Since January 2020, the outbreak of the new coronavirus (“COVID-19”) has impact on the global business environment, which brought about additional uncertainties to the Company’s operation. Up to the approval date on this announcement, the management of the Company foresees that the outbreak of COVID-19 would affect the global financial markets, which will result in temporary negative impact to the financial statements of the Company. The Company cannot reasonably estimate the financial impact after the reporting period at this stage. The Company will keep continuous attention on the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Company.

## **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 the extent practicable, comply with the relevant requirements under the Hong Kong Companies Ordinance, the Hong Kong Securities and Futures Ordinance, the Listing Rules and the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules, except for the deviations as stated below:

- 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.
- at least three independent non-executive directors on the Board.
- independent non-executive directors who represent at least one-third of the Board.
- the Audit Committee comprising only non-executive directors with a minimum of three members.
- the Remuneration Committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director; and
- the Nomination Committee comprising a majority of independent non-executive directors and chaired by the chairman of the board or an independent non-executive director.

During the year 2019, 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.

Mr. Chan, Wing Kong Ringo ("Mr. Chan") has resigned as an independent non-executive Director, the chairman of each of the Audit Committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") and the member of the nomination committee (the "Nomination Committee") of the Company with effect from 27 November 2019 as he would like to pursue other business opportunities.

Mr. Lee Wing Hang ("Mr. Lee") has resigned as an independent non-executive Director, the member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 27 November 2019 as he would like to pursue other business opportunities.

Following the resignation of Mr. Chan and Mr. Lee, the Board comprises one independent non-executive Director, hence fails to meet the requirements of having:

- (a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules");
- (b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules;
- (c) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules;

- (d) the Remuneration Committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and
- (e) the Nomination Committee comprising a majority of independent non-executive directors and chaired by the chairman of the board or an independent non-executive director under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

In order to comply with the Listing Rules and the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee, the Board is in the process of identifying suitable candidate(s) to fill the vacancy of the positions of independent non-executive Director and the member of the Audit Committee and the member of the Nomination Committee and the member of the Remuneration Committee and ensure that the suitable candidate(s) is/are appointed as soon as possible and, in any event, within three months from the effective date of the resignation of Mr. Chan and Mr. Lee, pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules.

On 18 February 2020, Ms. An Jing (“Ms. An”) has been appointed as an independent non-executive director, the Chairperson of the Remuneration Committee, the Chairperson of the Audit Committee and a member of the Nomination Committee of the Company; Mr. Zhang, Yu Clement (“Mr. Zhang”) has been appointed as an independent non-executive director, a member of the Remuneration Committee and a member of the Audit Committee of the Company.

Following the appointment of Ms. An and Mr. Zhang, the Board comprises five directors including two executive directors and three independent non-executive directors, one of independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise. As a result, the Company has complied with the requirements under Rules 3.10, 3.10(A), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## **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 2019, the Company had 27 (2018: 27) staff, including full time and part-time persons, The total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$1,061,000 (2018: HK\$1,867,000), of which NIL (2018: approximately HK\$924,000) share-based payments expenses were incurred. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions, discretionary bonus and share-based payments. 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.

## **AUDITORS**

On 9 January 2020, Zhonghui Anda CPA Limited ("Zhonghui Anda"), who acted as auditor of the Company for the year ended 31 December 2018, has notified the Company its resignation as auditor of the Company as the Company and Zhonghui Anda could not reach a consensus on the fee level proposed by Zhonghui Anda for the year ended 31 December 2019. Zhonghui Anda has confirmed in its letter of resignation that it was not aware of any matters that should be brought to the attention of the securities holders of the Company in connection with its resignation. On 21 January 2020, McMillan Woods (Hong Kong) CPA Limited was appointed as the auditor of the Company to fill the causal vacancy and hold office until the conclusion of the forthcoming AGM.

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 2019 as set out in the preliminary announcement have been agreed by the Company's auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Company's audited financial statements for the year ended 31 December 2019. The work performed by McMillan Woods (Hong Kong) 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 McMillan Woods (Hong Kong) 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>
Ms. Zhou Zan	2/2
Mr. Lee Wing Hang (Resigned on 27 November 2019)	2/2
Mr. Chan, Wing Kong Ringo ( <i>chairman</i> ) (Resigned on 27 November 2019)	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed company secretary. 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, 27 March 2020

*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 Ms. An Jing, Ms. Zhou Zan and Mr. Zhang, Yu Clement. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.*