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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 2020

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 2020 with comparative figures for the corresponding period of 2019 as follows:

For the six months ended 30 June 2020, the Company recorded gross proceeds from disposal of securities are approximately HK\$288,069,000 (six months ended 30 June 2019: HK\$135,860,000).

For the six months ended 30 June 2020, the Company's net realised gain on disposal of investments at fair value through profit or loss recorded approximately HK\$13,972,000, including:

- (i) The net realised gain on disposal of investments of Hong Kong listed securities recorded approximately HK\$10,028,000, wherein including dividends of approximately HK\$4,000.
- (ii) The net realised gain on disposal of investments of unlisted derivatives recorded approximately HK\$1,416,000.
- (iii) The net realised gain on coupons from the investments of unlisted structured products in hand recorded approximately HK\$2,528,000.

For the six months ended 30 June 2020, the Company's unrealised gain from the investments of Hong Kong listed securities in hand on 30 June 2020 at fair value through profit or loss recorded loss of approximately HK\$29,901,000, and the unrealised gains from the exchange difference on translation of currency was approximately HK\$228,000.

The loss for the six months ended 30 June 2020 was approximately HK\$18,755,000 while the profit for the corresponding period of 2019 was approximately HK\$23,855,000. The loss is due to the continuous impact of the global epidemic, a series of protests and related social events caused by the Amendments to the Fugitive Offenders Ordinance, the continuous Sino-US Trade War etc., which results in the decrease of the unrealised holding gains from financial assets at fair value through profit or loss.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gross proceeds from disposal of securities		288,069	135,860
Interest income		408	5,608
Other income		96	4
Net realised gain on disposal of Investments at fair value through profit or loss		13,972	21,362
Unrealised (loss)/gain of Investments at fair value through profit or loss		(29,673)	–
Administrative and other operating expenses		(3,558)	(3,119)
(Loss)/profit before taxation	3	(18,755)	23,855
Income tax expense	4	–	–
(Loss)/profit for the period and attributable to owners of the Company		(18,755)	23,855
Total comprehensive (loss)/profit for the period and attributable to owners of the Company		(18,755)	23,855
(Loss)/earnings per share			
Basic	5	(0.146) cents	0.186 cents
Diluted	5	N/A	N/A

CONDENSED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2020	2019
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Right-of-use asset		2,680	463
Property, plant and equipment		–	–
Equity investments at fair value through other comprehensive income		311,544	311,544
		314,224	312,007
CURRENT ASSETS			
Investments at fair value through profit and loss		289,740	360,193
Prepayment, deposits and other receivables		18,241	27,520
Cash and bank balances	7	73,549	12,701
		381,530	400,414
CURRENT LIABILITIES			
Lease liabilities within 12 months		893	475
Other payables and accruals		11,574	11,691
		12,467	12,166
NET CURRENT ASSETS		369,063	388,248
TOTAL ASSETS LESS CURRENT LIABILITIES		683,287	700,255
NON CURRENT LIABILITIES			
Lease Liabilities (more than 12 months)		1,787	–
NET ASSETS		681,500	700,255
EQUITY			
Issued share capital	8	128,016	128,016
Reserves		553,484	572,239
TOTAL EQUITY		681,500	700,255
Net asset value per share	10	HK\$0.0532	HK\$0.0547

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Equity investment revaluation reserve <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 2020 (Audited)	128,016	655,342	(10,601)	9,707	(82,209)	700,255
Total comprehensive loss for the period	-	-	-	-	(18,755)	(18,755)
At 30 June 2020 (Unaudited)	128,016	655,342	(10,601)	9,707	(100,964)	681,500
At 1 January 2019 (Audited)	128,016	655,342	(2,727)	9,707	(106,081)	684,257
Total comprehensive profit for the period	-	-	-	-	23,855	23,855
At 30 June 2019 (Unaudited)	128,016	655,342	(2,727)	9,707	(82,226)	708,112

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 2020, the Company's reserve available for distribution amounted to approximately HK\$554,378,000 (30 June 2019: approximately HK\$573,116,000).
- (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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>60,848</u>	<u>(138,747)</u>
NET INCREASED/(DECREASED) IN CASH AND CASH EQUIVALENTS	60,848	(138,747)
Cash and cash equivalents at the beginning of the period	<u>12,701</u>	<u>187,294</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>73,549</u>	<u>48,547</u>
BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>73,549</u>	<u>48,547</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 the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is situated at 26/F, No. 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 the 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 under the annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2019.

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 2020. 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 except as stated below.

3 (LOSS)/PROFIT BEFORE TAXATION

Six months ended 30 June
2020 2019
HK\$'000 **HK\$'000**
(Unaudited) (Unaudited)

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

Auditors' remuneration	156	134
Depreciation of right-of-use asset	463	463
Employee benefit expense, including Directors' remuneration		
— wages, salaries and welfare	625	576
— contribution to retirement benefits scheme	15	25
Interest on lease	5	28
Operating lease charge for land and buildings	—	—

4 INCOMETAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2020 and 30 June 2019 as the Company did not generate any assessable profits.

5 LOSS/EARNING PER SHARE

The calculation of basic loss/earning per share is based on the loss attributable to owners of the Company of approximately HK\$18,755,000 (six months ended 30 June 2019: profit of HK\$23,855,000) and the weighted average number of 12,801,578,629 (six months ended 30 June 2019: 12,801,578,629) shares in issue during the period.

No diluted loss/earning per share are presented as the company did not have any dilutive potential ordinary sharing during the six months ended 30 June 2020 and 2019.

6 EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company's unlisted equity securities in PRC designated by the Company as at fair value through other comprehensive income after the transition to HKFRS 9 (2014).

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Unlisted equity securities	311,544	296,637
Purchase	–	22,781
Fair value adjustments	–	(7,874)
	311,544	311,544

7 CASH AND BANK BALANCES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Cash at banks	73,546	12,698
Cash on hand	3	3
	73,549	12,701

8 SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Authorised: 100,000,000,000 ordinary shares of HK\$0.01 each (31 December 2019: 100,000,000,000) (<i>note</i>)	1,000,000	1,000,000
Issued and fully paid: 12,801,578,629 ordinary shares of HK\$0.01 each (31 December 2019: 12,801,578,629)	128,016	128,016

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 2020 and 30 June 2019 are as follows:

Date of grant	Exercise period	Number of share options					Outstanding as at 30 June 2020	Exercise price per share option HK\$
		Outstanding as at 1 January 2020	Granted during the period (note 1)	Lapsed during the period	Cancelled during the period	Exercised during the period		
6 July 2014	6 July 2014-5 July 2024	469,065,790	-	30,197,368	-	-	438,868,422	0.0497
4 April 2018	4 April 2018-3 April 2028	60,000,000	-	30,000,000	-	-	30,000,000	0.0497
24 April 2020	24 April 2020-23 April 2030	-	60,000,000	-	-	-	60,000,000	0.0497
		529,065,790	60,000,000	60,197,368	-	-	528,868,422	

Date of grant	Exercise period	Number of share options					Outstanding as at 30 June 2019	Exercise price per share option HK\$
		Outstanding as at 1 January 2019	Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period		
6 July 2014	6 July 2014-5 July 2024	469,065,790	-	-	-	-	469,065,790	0.0497
4 April 2018	4 April 2018-3 April 2028	60,000,000	-	-	-	-	60,000,000	0.0497
		529,065,790	-	-	-	-	529,065,790	

Note 1: Ms. An Jing and Mr. Zhang Yu Clemant were granted 30,000,000 share options respectively on 24 April 2020.

10 NET ASSETS VALUE PER SHARE

The net asset value per share of the Company is HK\$0.0532 (31 December 2019: HK\$0.0547). The calculation of net asset value per share is based on the net asset of the Company as at 30 June 2020 of approximately HK\$681,500,000 (31 December 2019: HK\$700,255,000) and 12,801,578,629 ordinary shares in issued (31 December 2019: 12,801,578,629) at the end of reporting period.

11 RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	240	240
Rental 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. On 23 October 2007, a First Supplemental Agreement was entered into between the Company and CES. CES is regarded as a connected person of the Company pursuant to 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. On 19 December 2013, the Company and CES entered into the Third Supplemental Agreement. 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. 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.
- (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 had 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 had been further extended a period of 36 months commencing from 1 July 2017. On 12 June 2020, the term of Tenancy Agreement had been further extended a 36 months commencing from 1 July 2020.

12 LEASE LIABILITIES

	30 June 2020 HK\$'000	
Current		<u>2,680</u>
		2019
	Minimum lease	Present value
	payments due	of lease
	<i>HK\$'000</i>	<i>liabilities</i>
		<i>HK\$'000</i>
Lease liabilities comprise:		
Within one year	960	893
More than one year	1,920	1,787
Less: future finance charge	200	N/A
	<u>2,680</u>	<u>2,680</u>
Present value of lease liabilities		

The Company leases various properties to operate its offices and these lease liabilities are measured at the present value of the lease payments that are not yet paid.

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company treasury function.

The total cash outflows for leases including payments of principal and interest portion of lease liabilities for the year ended 30 June 2020 was approximately HK\$468,000.

	31 December 2019 HK\$'000	
Current		<u>475</u>
		31 December
		2019
	Minimum lease	Present value
	payments due	of lease
	<i>HK\$'000</i>	<i>liabilities</i>
		<i>HK\$'000</i>
Lease liabilities comprise:		
Within one year	480	475
Less: future finance charge	(5)	N/A
	<u>475</u>	<u>475</u>
Present value of lease liabilities		

13 CONTINGENT LIABILITIES

The Company did not have any significant contingent liabilities at 30 June 2020.

14 INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2020, the Company recorded gross proceeds from disposal of securities are approximately HK\$288,069,000 (six months ended 30 June 2019: HK\$135,860,000).

For the six months ended 30 June 2020, the Company's net realised gain on disposal of investments at fair value through profit or loss recorded approximately HK\$13,972,000, including:

- (i) The net realised gain on disposal of investments of Hong Kong listed securities recorded approximately HK\$10,028,000, wherein including dividends of approximately HK\$4,000.
- (ii) The net realised gain on disposal of investments of unlisted derivatives recorded approximately HK\$1,416,000.
- (iii) The net realised gain on coupons from the investments of unlisted structured products in hand recorded approximately HK\$2,528,000.

For the six months ended 30 June 2020, the Company's unrealised gain from the investments of Hong Kong listed securities in hand on 30 June 2020 at fair value through profit or loss recorded loss of approximately HK\$29,901,000, and the unrealised gains from the exchange difference on translation of currency was approximately HK\$228,000.

The loss for the six months ended 30 June 2020 was approximately HK\$18,755,000 while the profit for the corresponding period of 2019 was approximately HK\$23,855,000. The loss is due to the continuous impact of the global epidemic, a series of protests and related social events caused by the Amendments to the Fugitive Offenders Ordinance, the continuous Sino-US Trade War etc., which results in the decrease of the unrealised holding gains from financial assets at fair value through profit or loss.

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 30 June 2020, 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. For the six months ended 30 June 2020, these five unlisted companies did not make any significant investment, acquisition or assets disposal.

Investing in listed companies

The Company also invest listed companies in Hong Kong on short terms. For the half year ended 30 June 2020, the gross sales proceeds of investments is HK\$288,069,000 (2019: HK\$ 135,860,000).

Prospect

The Company is one of the few investment companies in Hong Kong focusing 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 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 People’s Republic of China (“PRC”) 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.

Investment portfolios

As at 30 June 2020, the Company holds the following listed investments and derivatives:

	30 June 2020 HK\$’000	31 December 2019 HK\$’000
Investments at fair value through profit or loss		
Equity securities listed in Hong Kong	50,524	355,630
Derivatives, at fair value	5,216	4,563
Structured products, at fair value	234,000	–
	289,740	360,193
Current portion	289,740	(356,730)
Non-current portion	–	3,463

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 30 June 2020 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	Target
							received during the year HK\$'000	company net assets attributable to the investments HK\$'000
At 30 June 2020								
HSBC Holdings plc	1	1,060,000	0.0051%	64,501	38,372	(26,129)	0	8,480
China Merchants Commercial Real Estate Investment Trust	2	3,470,000	0.3077%	11,451	9,612	(1,839)	0	12,700
Da Yu Financial Holdings Limited	3	8,355,000	0.7333%	3,843	2,089	(1,755)	0	2,902
Budweiser Brewing Company APAC Ltd	4	20,000	0.0002%	526	451	(75)	4	116

1. HSBC Holdings plc (Stock Code: 0005) is the banking and financial services company. It operates across various geographical regions, which include Europe, Asia, Middle East and North Africa, North America and Latin America. RBWM business offers Retail Banking, Wealth Management, Asset Management and Insurance. At 31 December 2019, the audited consolidated net assets were approximately of USD 192,668 million (equivalent to HK\$1,502,810 million)
2. China Merchants Commercial Real Estate Investment Trust (Stock Code: 1503) is a real estate investment trust (REIT) principally engaged in the investment of commercial properties. The Trust invests in commercial properties including office buildings, shopping malls and other types. At 31 December 2019, the audited consolidated net assets were approximately of RMB 3,787 million (equivalent to HK\$4,128 million)
3. Da Yu Financial Holdings Limited (Stock Code: 1073), formerly China Agrotech Holdings Limited, is an investment holding company principally engaged in the provision of corporate finance advisory services and asset management services. At 31 December 2019, the audited consolidated net assets were approximately of HK\$396 million

4. Budweiser Brewing Company APAC Ltd (Stock Code: 1876) is an investment holding company principally engaged in the brewing and distribution of beer. The Company distributes its products primarily in China, South Korea, India, Vietnam and other Asia Pacific regions. At 31 December 2019, the audited consolidated net assets were approximately of USD 9,884 million (equivalent to HK\$77,095 million)

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 2021 respectively as at 30 June 2020. Particulars are as follows:

Derivatives	Issuer	Listed or not	Funds	Issue date	Maturity Date	Price Level	Costs HK\$'000
As at 30 June 2020							
Call Warrants of Funds	UBS AG	No	PIMCO GIS Diversified Income Fund (Bloomberg: PIMEHED ID Equity)	19 February 2020	4 March 2021	2.27%	1,752

As at 30 June 2020, the investments of structured products held by the Company includes investments in notes linked with a bundle of Hong Kong listed equities (matured in 2020) and investments in notes linked with a bundle of index (matured in 2021). Particulars are as follows:

Structure Products	Issuer	Listed or not	Linked Objects	Issue Date	Maturity Date	Striking Price Level	Costs HK\$'000	Coupon Rate	Coupon Date	Realized Coupons HK\$'000
As at 30 June 2020										
Indexes Linked Notes	BNP Paribas	No	FTSE 100 Index/ Hang Seng Index	20 January 2020	5 February 2021	88.25%	78,000	N/A	N/A	N/A
Indexes Linked Notes	Barclays Bank PLC	No	S&P 500 Index/ Hang Seng Index	20 January 2020	5 February 2021	70.99%	78,000	N/A	N/A	N/A
Securities Linked Notes	Nomura International Funding Pte. Ltd	No	0005.hk/0338.hk	16 March 2020	30 September 2020	80%	78,000	1.6208%	Monthly	2,528

The Company's derivatives and structured products are measured at bid prices for financial reporting purposes.

As at 30 June 2020, the Company holds the following unlisted 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) FengTian Capital Limited (“FengTian HK”) was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of FengTian HK include its 88% of equity shares of its subsidiary incorporated in the PRC with 100% equity interests. FengTian HK possesses the solution of health communication products (health mobile phones) and the copyright of a sizeable children’s animation series. The Company holds 2,200 voting shares in FengTian HK, representing 25% interest in the issued share capital of FengTian 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 2020, the Company had cash and cash equivalents of approximately HK\$73,549,000. 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 2020. 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 2020 are set out in note 8 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2020.

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 2020, the Company has not pledged its assets and the Company did not have any significant contingent liabilities.

Employee information

As at 30 June 2020, the Company had 27 (2019: 27) staff, including full time and part-time persons. The total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$640,000 (2019: 601,000), of which nil (2019: nil) 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.

DISCLOSURE OF INTEREST

Disclosure of interest by directors

As at 30 June 2020, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

(I) Interest in the underlying shares of the company — share options

Name of Director	Date of grant	Exercise period	Nature of interest	Exercise price per share HK\$	Number of underlying Shares for Share Options	Approximately percentage of interest
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.0497	60,394,737(L)	0.47%
An Jing	14 April 2020	14 April 2020 to 13 April 2030	Beneficial interest	0.0497	30,000,000(L)	0.23%
Zhang, Yu Clement	14 April 2020	14 April 2020 to 13 April 2030	Beneficial interest	0.0497	30,000,000(L)	0.23%
Zhou Zan	4 April 2018	4 April 2018 to 3 April 2028	Beneficial interest	0.0497	30,000,000(L)	0.23%

Share option scheme

As regards to the share option scheme ("Share Option Scheme") approved by shareholders under annual general meeting on 22 May 2014, there were 528,868,422 Shares available for issue under Share Option Scheme which represents approximately 4.13% of the issued share capital of the Company as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company or any of their respective associates had any interests and short positions in the Shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

Disclosure of interests by substantial shareholders

As at 30 June 2020, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the shares of the company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited (<i>note 1</i>)	Beneficiary	3,817,807,905(L)	29.82%
China Technology Education Trust Association (<i>note 1</i>)	Interest of controlled corporation	3,817,807,905(L)	29.82%
Haitong Guotai (<i>note 2</i>)	Trustee	2,121,200,000(L)	16.57%
Guotai Investment (<i>note 2</i>)	Beneficiary	2,121,200,000(L)	16.57%

Notes:

- Harvest Rise Investments Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the "Trust Association"). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Harvest Rise Investments Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance (Cap. 151), Laws of Hong Kong in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Trust Association.
- Haitong Guotai is a trustee wholly and beneficially owned by Guotai Investment. Accordingly, Guotai Investment has interests in the shares of the Company held by Haitong Guotai.

Save as disclosed above, as at 30 June 2020, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2020, the Company has complied with the code provisions in the Code, save for deviation from relevant Codes as follows.

- 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 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.

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.

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.

Executive committee

The Company established an Executive committee (the “Executive Committee”) on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee consists of all executive Directors of the Company, namely Mr. Xiang Xin and Mr. Chan Cheong Yee. Mr. Xiang Xin is the chairman of the Executive Committee. The Executive Committee held periodical meetings during the financial year to review, discuss and evaluate the business performance and operational matters of the Company.

Remuneration committee

The Company established a Remuneration committee (the “Remuneration Committee”) in 2006 in accordance with the terms of reference set out in the Code. The Remuneration Committee consists of three independent non-executive Directors, namely Ms. An Jing, Mr. Zhang, Yu Clement and Ms. Zhou Zan. Ms. An Jing is the chairman of the Remuneration Committee. The Remuneration Committee determines the policy for the remuneration of executive Directors, assesses performance of executive Directors and approves the terms of executive Directors’ service contracts.

NOMINATION COMMITTEE

The Company established an Nomination committee (the “Nomination Committee”) on August 2007 in accordance with the terms of reference set out in the Code. The Nomination Committee consists of three Directors of the Company, namely Mr. Xiang Xin, Ms. An Jing and Ms. Zhou Zan. Mr. Xiang Xin is the chairman of the Nomination Committee.

The primary functions of the Nomination Committee are to make recommendations to the Board regarding the appointment of members of the Board. The Nomination Committee is responsible for identifying the individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships.

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 Ms. An Jing, Mr. Zhang, Yu Clement and Ms. Zhou Zan. Ms. An Jing 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 2020 has been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, the Company had not purchased, sold or redeemed the Company’s any listed securities.

MODEL CODE FOR 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.

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 2020.

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

Hong Kong, 21 August 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, Mr. Zhang, Yu Clement and Ms. Zhou Zan. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.