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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)

2020 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 2020 as follows:

RESULTS

Gross sales proceeds of securities for the year ended 31 December 2020 amounted to HK\$369,878,000, while the gross sales proceeds of securities for the year ended 31 December 2019 amounted to HK\$257,605,000.

The realised gain (excluding bank interest income) for the year ended 31 December 2020 was approximately HK\$14,352,000, comparing to the realised gain of approximately HK\$21,369,000 for the same period in 2019.

Due to the continuous impact of the global pandemic and the Sino-US trade war etc., the Company recorded a loss attributable to equity shareholders of approximately HK\$9,813,000 for the year ended 31 December 2020, compared to a profit attributable to equity shareholders of approximately HK\$23,872,000 for the same period in 2019. Such loss was mainly come from unrealised holding losses of approximately HK\$27,725,000 on investments at fair value through profit or loss.

As at 31 December 2020, the net assets of the Company were approximately HK\$653,748,000 (2019: HK\$700,255,000), with a net asset value per share of approximately HK\$0.05 (2019: HK\$0.05). The decrease of net asset of the Company mainly come from the loss of approximately HK\$9,813,000 attributable to equity shareholders and the loss of approximately HK\$37,008,000 to the fair value changes of equity investments at fair value through other comprehensive income.

The Company recorded total comprehensive expense of approximately HK\$46,821,000 for the year ended 31 December 2020, compared to total comprehensive income of approximately HK\$15,998,000 for the same period in 2019.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Gross sales proceeds of investments		369,878	257,605
REVENUE	4	(3,643)	31,968
Other income	4	191	4
Administrative and other operating expenses		(6,295)	(8,055)
Finance costs		(66)	(45)
(LOSS) PROFIT BEFORE TAX	5	(9,813)	23,872
Income tax expense	6	–	–
(LOSS) PROFIT FOR THE YEAR		(9,813)	23,872
OTHER COMPREHENSIVE EXPENSE			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		(37,008)	(7,874)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR		(46,821)	15,998
		HK\$ cents	HK\$ cents
(LOSS) EARNINGS PER SHARE	8		
Basic		(0.077)	0.186
Diluted		N/A	N/A

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	–
Right-of-use assets		2,234	463
Equity investments at fair value through other comprehensive income	9	276,186	311,544
Investments at fair value through profit or loss	10	–	3,463
Total non-current assets		<u>278,420</u>	<u>315,470</u>
CURRENT ASSETS			
Investments at fair value through profit or loss	10	214,558	356,730
Prepayments, deposits and other receivables		146,551	27,520
Cash and bank balances	11	16,816	12,701
Total current assets		<u>377,925</u>	<u>396,951</u>
CURRENT LIABILITIES			
Other payables and accruals		336	11,691
Lease liabilities		871	475
Total current liabilities		<u>1,207</u>	<u>12,166</u>
NET CURRENT ASSETS		<u>376,718</u>	<u>384,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>655,138</u>	<u>700,255</u>
NON-CURRENT LIABILITY			
Lease liabilities		1,390	–
NET ASSETS		<u>653,748</u>	<u>700,255</u>
EQUITY			
Share capital	12	128,016	128,016
Reserves		525,732	572,239
TOTAL EQUITY		<u>653,748</u>	<u>700,255</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 Sinclair Group Centre, 3rd Floor Genesis Building, Genesis Close P.O. Box 498, George Town, Grand Cayman KY1-1106, 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 short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”).

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year 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.

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 and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

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 one 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Bank interest income	513	4,355
Income from structured products	7,585	4,167
Dividend income from listed investments	327	–
Net realised gains on disposal of investments at fair value through profit or loss	15,657	21,369
Unrealised holding (losses) gains from investments at fair value through profit or loss	(27,725)	2,077
	(3,643)	31,968
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Government grants	189	–
Sundry income	2	4
	191	4

5. (LOSS) PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	282	274
Investment management fee	480	480
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	1,347	1,021
Pension scheme contributions	37	40
Share-based payments	314	–
Total employee benefits expenses	1,698	1,061
Depreciation of right-of-use assets	909	927
Net exchange (gains) losses	(448)	2,277

6. INCOMETAX EXPENSE

Hong Kong Profits Tax is calculated at a rate of 16.5% (2019: 16.5%) for the years ended 31 December 2020 and 2019. No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2020 and 2019 since the Company has no assessable profit in Hong Kong for both years.

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

	2020	2019
	HK\$'000	HK\$'000
(Loss) profit before tax	(9,813)	23,872
Tax at the statutory tax rate of 16.5% (2019: 16.5%)	(1,619)	3,939
Income not subject to tax	(116)	(716)
Tax effect of tax losses not recognised	1,735	–
Utilisation of tax losses previously not recognised	–	(3,223)
Income tax expense	–	–

As at 31 December 2020, the Company had unused tax losses of approximately HK\$44,810,000 (2019: HK\$34,153,000) 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 2020 and 2019.

8. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share

The calculation of basic (loss) earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$9,813,000 (2019: profit of approximately HK\$23,872,000) and the weighted average number of ordinary shares of 12,801,578,629 (2019: 12,801,578,629) in issue during the year.

Diluted (loss) earnings per share

The computation of diluted (loss) 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 2020 and 2019. Since the Company has no other dilutive potential ordinary share for the year, the diluted (loss) earnings per share are same as that of basic (loss) earnings per share.

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2020	2019
	HK\$'000	HK\$'000
Unlisted equity securities	276,186	311,544

Particulars of the Company's equity investments at fair value through other comprehensive income as at 31 December 2020 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	2020			2019		
						Accumulated fair value adjustment since		Dividend income received during the year	Net assets attributable to the Company	Carrying Amount	
						Cost	acquisition				Fair value
					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	(18,233)	60,467	- (2019: nil)	109,572	72,650
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	(7,207)	71,142	- (2019: nil)	103,055	83,080
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	(31,765)	46,160	- (2019: nil)	102,486	69,819
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	9,596	73,986	- (2019: nil)	81,153	63,214
FengTian Capital Limited ("FengTian")	Hong Kong	2,200 ordinary shares	8,800 ordinary shares	25.00%	Investment holding (note v)	24,431	-	24,431	- (2019: nil)	27,278	22,781
						<u>323,795</u>	<u>(47,609)</u>	<u>276,186</u>		<u>423,544</u>	<u>311,544</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 valuations are based on market approach and cost 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 2020 and 2019.

(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 2020 and 2019.

(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 2020 and 2019.

(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 2020 and 2019.

(v) **FengTian**

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. The principal activities and assets in FengTian's group has not been changed during the years 2020 and 2019 since acquisition.

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

	2020	2019
	HK\$'000	HK\$'000
Investments at fair value through profit or loss		
Equity securities listed in Hong Kong	54,757	355,630
Derivatives, at fair value	6,234	4,563
Structured products, at fair value	153,567	–
	214,558	360,193
Current portion	(214,558)	(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 31 December 2020 and 2019 disclosed pursuant to the Chapter 21 of the Listing Rules are as follows:

Listed equity securities	Note	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Accumulated	Unrealised	Dividend	Net assets
						holding gain (loss) as at 31 December 2019 HK\$'000	holding gain (loss) during the year HK\$'000	income received during the year HK\$'000	attributable to the investments HK\$'000
At 31 December 2020									
HSBC Holdings plc	1	1,060,000	less than 0.01%	64,427	43,195	74	(21,306)	–	81,879

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

1. 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 2020, the audited consolidated net assets was approximately of USD204,995 million (equivalent to HK\$1,598,961 million).

Derivatives represents investments linked to certain income funds which are held in terms of cash settlement upon the maturity date of the relevant contracts in 2021 as at 31 December 2020 (2019: maturity date in 2020 and 2021, respectively).

Structured products as at 31 December 2020 represents investments in equity-linked notes which are linked to a basket of indices, including FTSE 100 Index, Hang Seng Index and S&P 500 Index and will be matured in 2021.

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, CHFT Advisory and Appraisal Limited. The valuations are based on Monte Carlo method and discounted cash flow 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 USD1,725,000 (2019: USD10,000) (equivalent to approximately HK\$13,372,000 (2019: HK\$77,000)).

12. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised: 100,000,000,000 ordinary shares of HK\$0.01 each (2019: 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 (2019: 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 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<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 2020 and 2019.

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. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2020.

13. NET ASSET VALUE PER SHARE

As at 31 December 2020 and 2019, 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 2020 of approximately HK\$653,748,000 (2019: HK\$700,255,000) and 12,801,578,629 (2019: 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 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\$46,160,000, HK\$71,142,000, HK\$60,467,000, HK\$24,431,000 and HK\$73,986,000 respectively.

Investing in listed companies

The Company also invest listed companies in Hong Kong on short terms. For the year ended 31 December 2020, the gross sales proceeds of investments is HK\$369,878,000 (2019: HK\$257,605,000).

INVESTMENT PORTFOLIOS

As at 31 December 2020, the Company holds certain listed equity securities and derivatives and structured products.

As at 31 December 2020, the Company holds the following unlisted investments:

- (i) Topsun Creation Limited ("Topsun") was 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") was 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”) was 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% of equity shares of its subsidiary incorporated in the PRC with 100% equity interests. FengTian 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, 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”) was incorporated in Hong Kong and principally engaged in investment holding ,intending to provide an all-rounded assets management service. 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 2020, the Company had cash and bank balances of approximately HK\$16,816,000. All the cash and bank balances were mainly denominated in US dollars and 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 2020. 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 US 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.

RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	<i>(a)</i>	440	480
Investment management fee paid to Evergrande Securities (Hong Kong) Limited ("ESHK")	<i>(b)</i>	40	–
		480	480
Rental paid to New Era Group (China) Limited ("NEG")	<i>(c)</i>	960	960
Rental deposit paid to NEG	<i>(c)</i>	160	160

Notes:

- (a) The Company entered into an investment management agreement with CES from 2003 to 2020. CES is regarded as a 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) The Company entered into an investment management agreement with ESHK in 2020. ESHK is regarded as a related party of the Company as the directors are of the view that ESHK is providing key management personnel services to the Company through its investment management services.
- (c) NEG, is a company of which Mr. Xiang Xin, a director of the Company has control.

(ii) Compensation of key management personnel:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	568	206
Pension scheme contributions	–	–
Shared-based payments	314	–
	<hr/>	
	882	206
	<hr/>	

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, 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 unlisted 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 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.

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 2020.

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

The outburst of COVID-19 has brought additional uncertainties in the global macroeconomic situation which may affect the Company's financial performance. However, since the outburst is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Company will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Company. The Company does not have other significant subsequent events.

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 2020, 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 was actively 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 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\$1,698,000 (2019: 1,061,000), of which HK\$314,000 (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.

AUDITORS

The figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company's auditors, McMillian Woods (Hong Kong) CPA Limited, to the amounts set out in the Company's audited financial statements for the year ended 31 December 2020. The work performed by McMillian 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 McMillian 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:

Name of Directors	Attendance
Ms. Zhou Zan	3/3
Ms. An Jing (Appointed on 18 February 2020)	2/2
Mr. Zhang, Yu Clement (Appointed on 18 February 2020)	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, 26 March 2021

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.