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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)

2018 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 2018 as follows:

RESULTS

Gross sales proceeds of securities for the year ended 31 December 2018 amounted to HK\$234,210,000, while the gross sales proceeds of securities for the year ended 31 December 2017 amounted to HK\$729,008,000.

Profit for the year and attributable to owners of the Company in 2018 amounted to approximately HK\$10,172,000, while the profit for the year and attributable to owners of the Company in 2017 amounted to approximately HK\$37,005,000.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Gross sales proceeds of financial assets		<u>234,210</u>	<u>729,008</u>
Interest income		145	5
Income from structure products		15,273	–
Other revenue		<u>(20,313)</u>	<u>49,316</u>
REVENUE	4	(4,895)	49,321
OTHER INCOME		21,298	9
Administrative and other operating expenses		<u>(6,231)</u>	<u>(12,325)</u>
PROFIT BEFORE TAX	5	10,172	37,005
Income tax expense	6	<u>–</u>	<u>–</u>
PROFIT FOR THE YEAR		<u>10,172</u>	<u>37,005</u>
OTHER COMPREHENSIVE LOSS: <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>(672)</u>	<u>–</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR		<u>(672)</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>9,500</u>	<u>37,005</u>
Earnings per share	8		
Basic		<u>0.079 cents</u>	<u>0.289 cents</u>
Diluted		<u>0.079 cents</u>	<u>0.289 cents</u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	–
Available-for-sale investments	9	–	297,282
Equity investments at fair value through other comprehensive income	9	296,637	–
Investments at fair value through profit or loss	10	1,316	6,267
Total non-current assets		297,953	303,549
CURRENT ASSETS			
Investments assets at fair value through profit or loss	10	184,755	923
Prepayments, deposits and other receivables		14,525	114,923
Cash and bank balances	11	187,294	255,301
Total current assets		386,574	371,147
CURRENT LIABILITIES			
Other payables and accruals		270	890
Total current liabilities		270	890
NET CURRENT ASSETS		386,304	370,257
TOTAL ASSETS LESS CURRENT LIABILITIES		684,257	673,806
NET ASSETS		684,257	673,806
EQUITY			
Issued share capital	12	128,016	128,016
Reserves		556,241	545,790
TOTAL EQUITY		684,257	673,806

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 short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 9 (2014) “Financial Instruments”

The Company has applied HKFRS 9 (2014) in accordance with the transition provisions set out in HKFRS 9 (2014). i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9 (2014)

	Available- for-sale investments <i>HK\$'000</i>	Equity investments at fair value through other comprehensive income <i>HK\$'000</i>	Equity investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>
<i>Effect arising from initial application of HKFRS 9 (2014)</i>				
Balance at 1 January 2018 as previously stated	297,282	–	–	(119,008)
Reclassification				
From available-for-sale investments	(297,282)	297,282	(2,082)	2,082
Remeasurement				
From cost less impairment to fair value	–	27	27	–
Balance at 1 January 2018 as stated	–	297,309	(2,055)	(116,926)

Available-for-sale-investments

From available-for-sale investments to equity investments through other comprehensive income

The Company elected to present in other comprehensive income the fair value changes to its unquoted equity investment previously classified as available-for-sale investments measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9 (2014), unlisted equity investments of HK\$297,282,000 which were previously measured at cost less impairment under HKAS 39 were classified from available-for-sale investments to equity investments at fair value through other comprehensive income. The fair value gain of HK\$27,000 relating to these unlisted equity investments previously carried at cost less impairment were adjusted to equity investments at fair value through other comprehensive income and equity investment revaluation reserve as at 1 January 2018. In addition, impairment loss previously recognized of HK\$2,082,000 was transferred from accumulated losses to equity investment revaluation reserve as at 1 January 2018.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Company.

3 OPERATING SEGMENT INFORMATION

The Company's operating segment is investments which comprises 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-currents are entirely contributed from the investments, no further analysis thereof is presented.

Geographical information

The Company's revenue analysed by geographical location and information about its non-current assets (excluding equity investments at fair value through other comprehensive income) by geographical location are detailed below:

	Hong Kong		Total	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE				
Interest income	145	5	145	5
Income from structured products	15,273	–	15,273	–
Dividend income from listed investments	10	3,771	10	3,771
Net realised (losses)/gain on disposal of investments at fair value through profit or loss	(127)	20,747	(127)	20,747
Unrealised holding (losses)/gains from investments at fair value through profit or loss	(20,196)	24,798	(20,196)	24,798
TOTAL REVENUE	(4,895)	49,321	(4,895)	49,321
NO-CURRENT ASSETS				
Property, plant and equipment	–	–	–	–

4. REVENUE AND OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Interest income	145	5
Income from structured products	15,273	–
Dividend income from listed investments	10	3,771
Net realised (losses)/gain on disposal of investments at fair value through profit or loss	(127)	20,747
Unrealised holding (losses)/gains from investments at fair value through profit or loss	(20,196)	24,798
	(4,895)	49,321
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other income		
Recovery of impairment loss of other receivable (Note)	15,000	–
Sundry income	6,298	9
	21,298	9

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 a combination of the cash payment.

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

5. PROFIT/(LOSS) BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Auditor's remuneration	230	206
Investment manager's fee	480	480
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	1,828	1,069
Pension scheme contributions	38	47
Equity-settled Share-based payments	924	–
Total employee benefits expenses	2,790	1,116
Operating lease charges	960	960

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2018 and 2017 since the Company has no assessable profit arose in Hong Kong for both years.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit/(loss) before tax	10,172	37,005
Tax at the statutory tax rate of 16.5% (2017: 16.5%)	1,678	6,106
Income not subject to tax	–	(623)
Expenses not deductible for tax	152	–
Utilisation of tax losses previously not recognised	(1,830)	(5,483)
Tax charge at the Company's effective tax rate	–	–

As at 31 December 2018, the Company had unused tax losses of approximately HK\$33,551,000 (2017: HK\$44,648,000) 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 2018 (2017: nil).

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\$10,172,000 (2017: profit of approximately HK\$37,005,000) and the weighted average number of ordinary shares of 12,801,578,629 (2017: 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 2018 and 2017.

9. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Available-for-sale investments

Under HKAS 39, the unlisted equity securities were measured at cost less impairment at the end of 2017, because the range of reasonable fair value estimates was so significant that the Directors were of the opinion that their fair values cannot be measured reliably.

	2018	2017
	HK\$'000	HK\$'000
Unlisted equity securities, at cost less impairment	–	297,282

(b) Equity investments at fair value through other comprehensive income

At as 1 January 2018, the Company has applied HKFRS 9 (2014) which introduced new requirements to the classification and measurement of financial assets and financial liabilities. The result of assessment and impact are detailed in note 2 to the results announcement.

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity securities	297,309	–
Fair value adjustments	(672)	–
	296,637	–

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

Particulars of the Company's available-for-sale investments as at 31 December 2018 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		Fair value adjustments		Dividend income received during the year		Net assets attributable to the Company		Carrying amount	
						Principal activities	Cost		Fair value amount	Dividend cover	Company		HK\$'000
							Cost	loss					
							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	53%	Investment holding (note ii)	78,700	(3,375)	75,325	Nil (2017: nil)	N/A	96,434	78,700	
Aesthetic Vision Limited ("Aesthetic")	Hong Kong	8,500 class B ordinary shares*	1,000 class A ordinary shares and 9,000 class B ordinary shares	85%	Investment holding (note iii)	78,349	6,760	85,109	Nil (2017: nil)	N/A	91,092	78,349	
Topsun Creation Limited ("Topsun")	Hong Kong	2,710 class B ordinary shares*	690 class A ordinary shares and 3,310 class B ordinary shares	68%	Investment holding (note iv)	77,925	(5,758)	72,167	Nil (2017: nil)	N/A	62,588	76,607	
Grand Far Sky Limited ("Grand Far Sky")	Hong Kong	5,400 class B ordinary shares*	2,500 class A ordinary shares and 7,000 (2017: 9,400) class B ordinary shares	56.85%	Investment holding (note v)	64,390	(354)	64,036	Nil (2017: nil)	N/A	81,236	63,626	
						299,364	(2,727)	296,637			331,350	297,282	

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

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

Background information of the investee companies

Notes:

(i) Blue Angel (HK) Limited (“Blue Angel HK”)

Blue Angel HK is incorporated in Hong Kong and is principally engaged in investment holding. The principal activities of Blue Angel HK’s group has not been changed during the years 2018 and 2017.

In prior years, Blue Angel indirectly held 38.5% equity interest in a company which was established in the PRC, and was principally engaged in manufacturing and trading of 發光二極管芯片. This subsidiary was deregistered during the year ended 31 December 2009, and the investment cost of HK\$4,500,000 was impaired since year 2005.

The principal asset of Blue Angel HK is the direct 100% equity interest in a company established in the PRC, the Blue Angel (China) Company Limited* (藍色天使 (中國) 有限公司) (“Blue Angel China”).

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

During the year ended 31 December 2018, the investment in Blue Angel HK is written off by the Company.

* The English name is for identification purpose only

(ii) United Overseas

United Crown Future Company Limited (“United Overseas”) is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas was directly holds 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving materials for walls. The principal activities and assets in United Overseas’ group has not been changed during the years 2018 and 2017.

(iii) Aesthetic

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the direct 100% equity interest in a company established in the PRC, which is principally engaged in manufacturing of LED lighting. Aesthetic, through the subsidiary, possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free color temperature, healthy spectrum and compliance to ergonomics. The principal activities and assets in Aesthetic's group has not been changed during the years 2018 and 2017.

(iv) Topsun

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Topsun is the direct 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development, manufacturing and distribution of products applying the solar energy technology. A new energy battery is one of the major products of Topsun. This battery has the characteristics of high capacity, fully sealed and maintenance-free. Topsun is also planning to step into the industry of photovoltaic integration. The principal activities and assets in Topsun's group has not been changed during the years 2018 and 2017.

(v) Grand Far Sky

Grand Far Sky is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Grand Far Sky is the direct 100% equity interest in a company established in the PRC, which is principally engaged in providing management of asset and funding platform to it customers, other third parties and the Company's long-term equity investment. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2018 and 2017.

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

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Investments at fair value through profit or loss		
Equity securities, at fair value		
Listed in Hong Kong	–	923
Structured Products and derivatives, at fair value	186,071	6,267
	186,071	7,190
Current portion	(184,755)	(923)
Non-current portion	1,316	6,267

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

Particulars of the Company's investments are as follows:

Structured products as at 31 December 2018 represents investments in equity-linked notes (2017: nil) which are matured in 2019 and are converted into listed equity securities in Hong Kong subsequent to the end of the reporting period. 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 2018 and 2017.

The Company's investments at fair value through profit or loss which represent derivatives and structure products are measured at fair value for financial reporting purposes. The Company engaged external valuation experts with recognised professional qualifications and recent experience to perform the valuation by using Monte Carlo Method.

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

Name of investee company	Notes	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised holding losses HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
At 31 December 2017								
HSBC Holdings PLC ("HSBC")		8,000	less than 1%	780	640	(140)	–	587
China Resources Gas Group Ltd ("China Resources")		10,000	less than 1%	290	283	(7)	–	90

11. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for various periods from 1 day to 1 month depending on the immediate cash requirements of the Company and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

At the end of the reporting period, the bank and cash balances of the Company denominated in RMB amounted to approximately RMB87,000 (2017: approximately RMB70,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

12. SHARE CAPITAL

	2018	2017
	HK\$'000	HK\$'000
Authorised:		
100,000,000,000 ordinary shares of HK\$0.01 each (2017: 100,000,000,000 ordinary shares of HK\$0.01 each)	1,000,000	1,000,000
Issued and fully paid:		
12,801,578,629 ordinary shares of HK\$0.01 each (2017: 12,801,578,629 ordinary shares of HK\$0.01 each)	128,016	128,016

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

	Number of shares '000	Amount HK\$'000
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	12,801,579	128,016

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 2018 and 2017.

13. NET ASSET VALUE PER SHARE

As at 31 December 2018 and 2017, 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 2018 of approximately HK\$684,257,000 (2017: HK\$673,806,000) and 12,801,578,629 (2017: 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 2018, the Company held investments in four unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future Company Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$72,167,000, HK\$85,109,000, HK\$75,325,000 and HK\$64,036,000 respectively.

Investing in listed companies

The Company focuses on investing listed companies in Hong Kong on short terms. For the year ended 31 December 2018, the gross sales proceeds of investments is HK\$234,210,000 (2017: HK\$729,008,000).

INVESTMENT PORTFOLIOS

As at 31 December 2018, the Company holds certain listed investment and structured products and derivatives.

As at 31 December 2018, the Company holds the following unlisted investments:

- (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) Grand Far Sky Limited (“Grand Far Sky”) is incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of fund and funds platform. Grand Far Sky holds a 100% interest in a subsidiary incorporated in the PRC, of which the principle activity is funding platform and asset management. The Company holds 5,400 “B” non-voting shares in Grand Far Sky, which represented 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 2018, the Company had cash and bank balances of approximately HK\$187,294,000. All the cash and bank balances were mainly denominated in Hong Kong dollars.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (net debt to shareholders’ funds) as at 31 December 2018. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

FOREIGN CURRENCY FLUCTUATION

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

COMMITMENTS

Lease commitments

As at 31 December 2018, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	2018 HK\$'000	2017 HK\$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings:		
– within one year	960	960
– In the second to fifth years inclusive	480	1,440
	1,440	2,400

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

RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	<i>(a)</i>	480	480
Rental expenses paid to New Era Group (China) Limited ("NEG")	<i>(b)</i>	960	960
Rental deposit paid to NEG	<i>(b)</i>	160	160

Notes:

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

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

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

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

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

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

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

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

	2018	2017
	HK\$'000	HK\$'000
Short term employee benefits	1,134	210

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

PROSPECT

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

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

For “New Light”, the Company invests in Aesthetic Vision Limited (“Aesthetic”). Aesthetic’s major product is LED lighting. It possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics.

For “New Materials”, the Company invests in United Crown Future Company Limited (“United Overseas”). Being the pioneer in the new energy-saving wall industry in the People’s Republic of China (the “PRC”) market, United Overseas mainly specialises in research and development of energy-saving materials for walls.

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2018.

CAPITAL STRUCTURE

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

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

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

CORPORATE GOVERNANCE REPORT

The Board is committed to establish and maintain high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company’s shareholders. The Company devotes to best practice on corporate governance, and to comply with the extent practicable, with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules.

During the year ended 31 December 2018, the Company has complied with the code provisions in the Code, save for deviation from Codes A.2.1 and A.4.1.

- The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.
- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election.

During the year 2018, Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code throughout the Year.

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

EMPLOYEE INFORMATION

As at 31 December 2018, the Company had 11 (2017: 11) staffs and the total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$2,790,000 (2017: of approximately HK\$1,116,000) during the year under review. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Company's audited financial statements for the year ended 31 December 2018. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

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

Name of Directors	Attendance
Mr. Wang Xin David (<i>chairman</i>) (Removed on 6 March 2018)	0/0
Mr. Chan, Wing Kong Ringo (<i>chairman</i>) (Appointed on 6 March 2018)	2/2
Mrs. Zhou Zan	2/2
Mr. Lee Wing Hang	2/2

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

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

PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, 29 March 2019

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