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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)**

### **2013 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 2013 as follows:

#### **RESULTS**

Gross sales proceeds of securities for the year ended 31 December 2013 amounted to HK\$64,503,000 while nil for the year ended 31 December 2012. Revenue for the year ended 31 December 2013 amounted to HK\$374,000, representing a 43.50% decrease when compared with the revenue of HK\$662,000 for the year ended 31 December 2012. The decrease was attributable to the decrease in the interest income.

Loss for the year and attributable to owners of the Company in 2013 amounted to approximately HK\$9,014,000, while the loss for the year and attributable to owners of the Company in 2012 amounted to approximately HK\$85,417,000. The loss decrease for the year due to the impairment of an available-for-sale investment in 2012.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gross sales proceeds of securities		<u>64,503</u>	<u>–</u>
REVENUE	4	374	662
OTHER INCOME AND GAINS	4	–	1,056
Net realised gains/(losses) on disposal of financial assets at fair value through profit or loss		76	(164)
Unrealised holding (losses)/gains from financial assets and liabilities at fair value through profit or loss		(884)	481
Administrative and other operating expenses		(8,580)	(9,152)
Impairment of an available-for-sale investment		<u>–</u>	<u>(78,300)</u>
<b>LOSS BEFORE TAX</b>	5	<b>(9,014)</b>	(85,417)
Income tax expense	6	<u>–</u>	<u>–</u>
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>(9,014)</b>	(85,417)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u>–</u>	<u>–</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>(9,014)</b></u>	<u>(85,417)</u>
<b>LOSS PER SHARE</b>	8		
Basic		<u><b>(0.13 cents)</b></u>	<u>(1.22 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,417</b>	2,391
Available-for-sale investments	9	<b>270,764</b>	270,764
Total non-current assets		<b>272,181</b>	273,155
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	<b>15,328</b>	10,026
Prepayments, deposits and other receivables		<b>1,685</b>	14,374
Cash and bank balances	11	<b>21,772</b>	30,763
Total current assets		<b>38,785</b>	55,163
<b>CURRENT LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	10	<b>177</b>	–
Other payables and accruals		<b>13,103</b>	21,618
Total current liabilities		<b>13,280</b>	21,618
<b>NET CURRENT ASSETS</b>		<b>25,505</b>	33,545
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>297,686</b>	306,700
<b>NET ASSETS</b>		<b>297,686</b>	306,700
<b>EQUITY</b>			
Issued share capital	12	<b>69,794</b>	69,794
Reserves		<b>227,892</b>	236,906
<b>Total equity</b>		<b>297,686</b>	306,700
Net asset value per share	13	<b>HK\$0.04</b>	HK\$0.04

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 investment holding. Its principal investment objective is to achieve short and 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”).

### **2.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are stated at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

### **2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, 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 year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; 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 year and prior years except as stated below.

#### **a. Amendments to HKAS 1 “Presentation of Financial Statements”**

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**b. HKFRS 13 “Fair Value Measurement”**

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the financial statements. HKFRS 13 has been applied prospectively.

The Company has not applied other new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

**3 OPERATING SEGMENT INFORMATION**

The Company’s operating segment is investment holding which comprises the investing in listed and unlisted companies in order to achieve short and medium-term capital appreciation. Since this is the only operating segment of the Company, no further analysis thereof is presented.

**Geographical information**

The Company’s revenue analysed by geographical location and information about its non-current assets (excluding available-for-sale investments and deposit for acquisition of available-for-sale investments) by geographical location are detailed below:

	Hong Kong		PRC (not including Hong Kong)		Total	
	2013 HK’000	2012 HK’000	2013 HK’000	2012 HK’000	2013 HK’000	2012 HK’000
REVENUE						
Interest income	140	491	–	–	140	491
Dividend income from listed investments	234	171	–	–	234	171
	<u>374</u>	<u>662</u>	<u>–</u>	<u>–</u>	<u>374</u>	<u>662</u>
NON-CURRENT ASSETS						
Property, plant and equipment	1,417	2,391	–	–	1,417	2,391

#### 4 REVENUE, OTHER INCOME AND GAINS

An analysis of the revenue, other income and gains of the Company are as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>		
Interest income	<b>140</b>	491
Dividend income from listed investments	<b>234</b>	171
	<hr/>	<hr/>
Total revenue	<b>374</b>	662
	<hr/>	<hr/>
Net exchange gains	–	1,056
	<hr/>	<hr/>
Other income and gains	–	1,056
	<hr/>	<hr/>

#### 5 LOSS BEFORE TAX

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Auditor's remuneration	<b>155</b>	145
Under-provision in prior years	–	9
	<hr/>	<hr/>
	<b>155</b>	154
	<hr/>	<hr/>
Depreciation	<b>974</b>	1,035
Investment manager's fee	<b>960</b>	704
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	<b>2,080</b>	2,888
Pension scheme contributions	<b>67</b>	82
Total employee benefits expenses	<b>2,147</b>	2,970
Operating lease charges		
— Hire of plant and equipment	<b>540</b>	680
— Land and building	<b>960</b>	960
Impairment of an available-for-sale investment	–	78,300
Interest income	<b>(140)</b>	(491)
Dividend income from listed investments	<b>(234)</b>	(171)
Net exchange losses/(gains)	<b>287</b>	(1,056)
	<hr/>	<hr/>

## 6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2013 and 2012 since the Company has no assessable profit arose in Hong Kong for both years.

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

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss before tax	<u>(9,014)</u>	<u>(85,417)</u>
Tax at the statutory tax rate of 16.5% (2012: 16.5%)	<b>(1,487)</b>	(14,094)
Income not subject to tax	<b>(62)</b>	(81)
Expenses not deductible for tax	<b>7</b>	12,920
Temporary differences not recognised	–	119
Tax loss not recognised	<u><b>1,542</b></u>	<u>1,136</u>
Tax charge at the Company's effective tax rate	<u>–</u>	<u>–</u>

As at 31 December 2013, the Company had unused tax losses of approximately HK\$43,190,000 (2012: HK\$34,550,000) 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 2013 and 2012.

## 8 LOSS PER SHARE

### Basic loss per share

The calculation of basic loss 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\$9,014,000 (2012: approximately HK\$85,417,000) and the weighted average number of ordinary shares of 6,979,385,753 (2012: 6,979,385,753) in issue during the year.

### Diluted loss per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2013 and 2012.

## 9 AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK\$'000	2012 HK\$'000
Unlisted securities, at cost		
Equity securities — Hong Kong	353,564	353,564
Less: Impairment	<u>(82,800)</u>	<u>(82,800)</u>
	<u>270,764</u>	<u>270,764</u>

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 2013 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 of investee's capital owned	Principal activities	2013				2012		
						Impairment loss	Carrying amount	Dividend income received during the year	Dividend cover	Net assets attributable to the Company	Carrying amount	
												Cost
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Blue Angel (H.K.) Limited ("Blue Angel HK")	Hong Kong	48,500 class B ordinary shares*	28,500 class A ordinary shares and 48,500 class B ordinary shares	63%	Investment holding (note i)	82,800	(82,800)	-	Nil (2012: nil)	N/A	6,365	-
United Crown Century Company Limited ("United Crown")	Hong Kong	12,644 class B ordinary shares*	9,356 class A ordinary shares and 14,644 class B ordinary shares	53%	Investment holding (note ii)	78,700	-	78,700	Nil (2012: nil)	N/A	94,007	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	-	78,349	Nil (2012: nil)	N/A	106,569	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	-	77,925	Nil (2012: nil)	N/A	85,258	77,925
Grand Far Sky Limited (formerly known as Grand Far Limited) ("Grand Far Sky")	Hong Kong	3,000 class B ordinary shares*	2,500 class A ordinary shares and 7,000 class B ordinary shares	32%	Investment holding (note v)	35,790	-	35,790	Nil (2012: nil)	N/A	38,964	35,790
						<u>353,564</u>	<u>(82,800)</u>	<u>270,764</u>			<u>270,764</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.

## Background information of the investee companies

Notes:

### (i) 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 2013 and 2012.

In prior years, Blue Angel HK 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"), which is principally engaged 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 energy and provide a one-stop production setting with synergy effect. During the year ended 31 December 2012, Blue Angel HK had incorporated another wholly owned subsidiary, the Blue Charm Company Limited\* (藍色魅力有限公司) ("Blue Charm") in the PRC, and plans to expand its capacity in manufacturing of the same products as Blue Angel China.

On 7 November 2012, the bank account of the Blue Angel China was frozen by the China Jiangsu Province Zhenjiang New District Public Security Bureau. Reference of this event is made to the Company's announcements dated 16 November 2012, 22 November 2012, 26 November 2012, 1 December 2012 and 11 December 2012, the freezing of bank account was subsequently revoked on 22 February 2013. Due to the capital of Blue Angel China had been occupied for a long time and the time of recovery was unknown, Blue Angel China has insufficient funds to carry out business activities. Due to the deterioration of business operations and assets quality and on prudent approach, the Company impaired the balance of the carrying amount of the investment of approximately HK\$78,300,000, and charged to the profit or loss for the year ended 31 December 2012 after careful consideration.

\* *The English name is for identification purpose only*

### (ii) United Crown

United Crown is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of United Crown is the indirect 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development of energy saving eco-material for walls. The principal activities and assets in United Crown's group has not been changed during the years 2013 and 2012.

Subsequent to the end of the reporting period, the Company and the shareholders of the United Crown underwent reorganization activity by directly holding United Crown Future Company Limited ("United Future") (a subsidiary of United Crown before the reorganistaion) shares instead of holding United Crown. After the completion of reorganization, the company and the original shareholders of United Crown hold the same percentage and class of shares on United Future as holding United Crown before.

**(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. Its products are widely used in military production as well as civic purposes. The principal activities and assets in Aesthetic's group has not been changed during the years 2013 and 2012.

**(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, and are substantially used in tanks, submarines and barracks as well as civil vehicles and construction. 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 2013 and 2012.

**(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 95% equity interest in a company established in the PRC, which is principally engaged in providing management of fund 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 2013 and 2012.

**10 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets at fair value through profit or loss</b>		
Equity securities, at fair value		
Listed in Hong Kong	<b>14,572</b>	10,026
Listed in the United States	<b>756</b>	–
	<u>15,328</u>	<u>10,026</u>
Market value of listed securities		
	<u>15,328</u>	<u>10,026</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Futures, at fair value	<b>177</b>	–
	<u>177</u>	<u>–</u>

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

Particulars of the Company's 10 largest investments are as follows:

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)/ gains HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
<b>At 31 December 2013</b>								
Artel Solutions Group Holdings Ltd. ("Artel Group")	1	1,000,000	less than 1%	418	410	(8)	–	26
China Automotive Interior Decoration Holdings Ltd. ("China Automotive")	2	300,000	less than 1%	343	255	(88)	–	71
China Railsmedia Corporation Ltd. ("China Railsmedia")	3	800,000	less than 1%	819	1,464	645	–	58
Freotech Road Recycling Technology (Holdings) Ltd. ("Freotech")	4	120,000	less than 1%	432	392	(40)	–	111
iShares FTSE A50 China Index ETF ("iShares A50")	5	900,000	less than 1%	9,545	8,456	(1,089)	234	7,293
Perfect Shape (PRC) Holdings Ltd. ("Perfect Shape")	6	500,000	less than 1%	602	610	8	–	120
Qihoo 360 Technology Co Ltd ("Qihu")	7	700	less than 1%	443	445	2	–	43
REXLot Holdings Ltd. ("REXLot")	8	600,000	less than 1%	625	630	5	–	420
Suncorp Technologies Ltd. ("Suncorp")	9	3,200,000	less than 1%	1,106	1,280	174	–	(31)
VST Holdings Ltd. ("VST Holdings")	10	150,000	less than 1%	335	296	(39)	–	337
<b>At 31 December 2012</b>								
iShares A50		900,000	less than 1%	9,545	10,026	481	171	9,348

*Notes:*

1. Artel Group was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 931). Artel Group is principally engaged in the distribution of computer components and information technology products and trading of securities. The unaudited consolidated loss attributable to equity shareholders of Artel Group for the 6 months ended 30 June 2013 was approximately HK\$9,952,000. At 30 June 2013, the unaudited consolidated net assets value of Artel Group was approximately HK\$224,403,000.
2. China Automotive was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 8321). China Automotive is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and infrastructure; and supply and procurement operation including trading of rubber. The unaudited consolidated profit attributable to owners of China Automotive for the 9 months ended 30 September 2013 was approximately RMB15,003,000. At 30 September 2013, the unaudited consolidated net assets value of China Automotive was approximately RMB212,591,000 (approximately HK\$272,116,000).
3. China Railsmedia was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 745). China Railsmedia is principally engaged in the building constructions, renovation and related services, and provide the advertising media services. The unaudited consolidated loss attributable to owners of China Railsmedia for the 6 months ended 30 September 2013 was approximately HK\$90,624,000. At 30 September 2013, the unaudited consolidated net assets value of China Railsmedia was approximately HK\$296,088,000.
4. Freetech was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 6888). Freetech is principally engaged in the provision of asphalt pavement maintenance services using recycling technology to repair damaged asphalt pavement surface; manufacturing and selling of a wide range of asphalt pavement maintenance service equipment. The unaudited consolidated profit attributable to owners of Freetech for the 6 months ended 30 June 2013 was approximately HK\$65,826,000. At 30 June 2013, the unaudited consolidated net assets value of Freetech was approximately HK\$1,001,150,000.
5. iShares Asia Trust (the “Trust”) is an umbrella unit trust governed by its Trust Deed dated 16 November 2001, as amended, and authorised by the Securities & Futures Commission of Hong Kong pursuant to Section 104(1) of the Securities and Futures Ordinance and listed on the Stock Exchange (stock code: 2823). iShares A50 is principally engaged in investment holdings of securities in Hong Kong and elsewhere. The unaudited loss attributable to unitholders for the 6 months ended 30 June 2013 was approximately HK\$8,727,966,000. At 30 June 2013, the unaudited net assets value of iShares A50 was approximately HK\$47,759,839,000. The dividend cover for the year ended 31 December 2012 was 0.18.
6. Perfect Shape was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 1830). Perfect Shape is principally engaged in the provision and operation of slimming and beauty service. The unaudited consolidated profit attributable to equity holders of Perfect Shape for the 6 months ended 30 September 2013 was approximately HK\$42,194,000. At 30 September 2013, the unaudited consolidated net assets value of Perfect Shape was approximately HK\$240,736,000.
7. Qihu was incorporated in the Cayman Islands and its shares are listed on the New York Stock Exchange (symbol: QIHU). Qihu is principally engaged in the provision of internet and mobile security products in the PRC. The unaudited consolidated profit attributable to equity holders of Qihu for the 9 months ended 30 September 2013 was approximately US\$83,004,000. At 30 September 2013, the unaudited consolidated net assets value of Qihu was approximately US\$647,487,000 (approximately HK\$5,018,024,000).

8. REXLot was incorporated in the Bermuda and its shares are listed on the Stock Exchange (stock code: 555). REXLot is principally engaged in the Lottery system and games development business and distribution and marketing business; securities broking, margin financing and investment trading and holding; money lending business. The unaudited consolidated profit attributable to equity shareholders of REXLot for the 6 months ended 30 June 2013 was approximately HK\$490,896,000. At 30 June 2013, the unaudited consolidated net assets value of REXLot was approximately HK\$6,105,308,000.
9. Suncorp was incorporated in the Bermuda and its shares are listed on the Stock Exchange (stock code: 1063). Suncorp is principally engaged in the provision of assembly service of telephone and related products and the sales and marketing of residential telephone products under its licence arrangements under the Motorola brand. The unaudited consolidated profit attributable to equity holders of Suncorp for the 6 months ended 30 June 2013 was approximately HK\$12,325,000. At 30 June 2013, the unaudited consolidated net liabilities of Suncorp was approximately HK\$68,819,000.
10. VST Holdings was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 856). VST Holdings is principally engaged in the distribution of information technology products and provision of enterprise systems and IT services. The unaudited consolidated profit attributable to equity shareholders of VST Holdings for the 6 months ended 30 June 2013 was approximately HK\$248,198,000. At 30 June 2013, the unaudited consolidated net assets value of VST Holdings was approximately HK\$3,357,132,000.

## 11 CASH AND CASH EQUIVALENTS

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash at banks		
Bank balances	<b>9,527</b>	19,414
Time deposits	<b>11,318</b>	9,537
	<b>20,845</b>	28,951
Cash on hand	<b>3</b>	3
Cash held in securities account of securities companies	<b>924</b>	1,809
	<b>21,772</b>	30,763

Cash at banks and held in securities account of securities companies 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 RMB16,105,000 (2012: approximately RMB21,794,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 12 SHARE CAPITAL

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	<u><b>150,000</b></u>	<u>150,000</u>
Issued and fully paid:		
6,979,385,753 ordinary shares of HK\$0.01 each	<u><b>69,794</b></u>	<u>69,794</u>

### (a) 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 2013 and 2012.

### (b) Warrants

The Company had 800,000,000 warrants granted on 27 December 2007 which entitling the holder of the warrants to subscribe for 800,000,000 shares of HK\$0.01 each of the Company at an exercise price of HK\$0.20 each on or before 29 January 2013. No warrants has been exercised on or before the due date, all warrants expired during the year.

## 13 NET ASSET VALUE PER SHARE

As at 31 December 2013 and 2012, the net asset value per share of the Company was HK\$0.04 and HK\$0.04, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2013 of approximately HK\$297,686,000 (2012: HK\$306,700,000) and 6,979,385,753 (2012: 6,979,385,753) ordinary shares in issue at the end of each reporting period.

## **BUSINESS REVIEW**

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2013, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Century Company Limited, Blue Angel (H.K.) Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$77,925,000, HK\$78,349,000, HK\$78,700,000, nil and HK\$35,790,000 respectively.

## **INVESTMENT PORTFOLIOS**

As at 31 December 2013, the Company hold the following investments:

- (i) Topsun Creation Limited (“Topsun”) is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2013, Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity mainly dedicated to the research and development as well as marketing in the area of the lead acid batteries with energy-saving batteries for new energies as its major products. The characteristics of such product is high volume, whole sealing and maintenance free. The Company holds 2,710 “B” non-voting shares in Topsun, representing 67.75% interest in the issued share capital of Topsun. The Company did not receive any dividend from Topsun 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 subsidiaries incorporated in the PRC of which its major product is LED lighting. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. 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 Century Company Limited (“United Crown”) is incorporated in Hong Kong and principally engaged in investment holding. The principal asset of United Crown was indirectly holds 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving eco-materials for walls. The Company holds 12,644 “B” non-voting shares in United Crown, representing 52.68% interest in the issued share capital of United Crown. The Company did not receive any dividend from United Crown during the year.

Subsequent to the year ended date, the Company and the shareholders of the United Crown underwent reorganization activity by directly holding United Crown Future Company Limited (“United Future”) (a subsidiary of United Crown before the reorganistaion) shares instead of holding United Crown. After the completion of reorganization, the company and the original shareholders of United Crown hold the same percentage and class of shares on United Future as holding United Crown before.

- (iv) Blue Angel (H.K.) Limited (“Blue Angel HK”) is incorporated in Hong Kong and principally engaged in investment holding. Blue Angel HK holds two wholly-owned subsidiaries and both are incorporated in the PRC, of which the principal activities is 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 energy and provide a one-stop production setting with synergy effect. As at 31 December 2013, the Company holds 48,500 “B” non-voting shares in Blue Angel HK, which represented 62.99% interest in the issued share capital of Blue Angel HK. No dividend was received during the year.
- (v) Grand Far Sky Limited (“Grand Far Sky”) is incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of fund and funds platform. Grand Far Sky holds a 95% interest in a subsidiary incorporated in the PRC, of which the principle activity is funding platform and fund management. As at 31 December 2013, the Company holds 3,000 “B” non-voting shares in Grand Far Sky, which represented 31.58% 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 2013, the Company had cash and bank balances of approximately HK\$21,772,000. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars and Renminbi with banks and securities houses.

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 2013. 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 2013, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Future aggregate minimum lease payments under operating leases in respect of land and buildings and motor vehicles:		
— within one year	<b>480</b>	1,500
— in the second to fifth years inclusive	<u>—</u>	<u>1,020</u>
	<b>480</b>	2,520

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 annual results announcement, the Company had the following material transactions with related parties and China Everbright Securities (HK) Limited during the year:

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited	<i>(a)</i>	<b>960</b>	704
Rental expenses paid to New Era Group (China) Limited (“NEG”)	<i>(b)</i>	<b>960</b>	960
Rental deposit paid to NEG	<i>(b)</i>	<b>160</b>	160

*Notes:*

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

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

On 28 February 2012, the Company and CES entered into of the Second Supplemental Agreement. 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 China Everbright 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 China Everbright 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.

- (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 with the same terms and conditions.

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

	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	<b>340</b>	449
Post-employment benefits	–	–
Pension	–	–
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>340</b>	449
	<hr/> <hr/>	<hr/> <hr/>

**CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2013, 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 in dual usage of military and civil sectors. We invest in listed and non-listed and civil and military joint ventures with high quality to strive for medium-term gains from capital appreciation in the course of securitization 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 military and civil dual-used charge storage batteries, new models of lighting products, eco-equipment materials and energy-saving media terminals respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the four new industries of “New Energy”, “New Light”, “New Materials” and “New Media”, military and civil dual-application in real projects.

For “New Energy”, the Company invests in Topsun Creation Limited (“Topsun”), which adopts the power reserve patent technology of military aviation as its own core to develop the strategy of “Production — Research — Preliminary Research” for the research and manufacturing of solar photovoltaic system. With features of high capacity, fully sealed and maintenance-free, the system is widely used in military equipment and civil vehicles as well as construction, etc.

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 Century Company Limited (“United Crown”). Being the pioneer in the new energy-saving eco-sheet industry in the People’s Republic of China (the “PRC”) market, United Crown mainly specializes in research and development of energy-saving eco-sheet 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 technology 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 technology.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in new technologies like low carbon technology, 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 2013.

## **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**

The Board of Directors (the "Board") of the Company 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 year ended 31 December 2013, 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.

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company after resignation of Mr. Wang Yaomin and appointment of Mr. Xiang Xin as Chairman of the Board with effect from 5 March 2014. 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.

## **EMPLOYEE INFORMATION**

As at 31 December 2013, the Company had 13 (2012: 11) employees and the total remuneration paid to staff (including directors' remuneration) was approximately of HK\$2,147,000 (2012: of approximately HK\$2,970,000) 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 preliminary announcement of the Company's results for the year ended 31 December 2013 have been agreed by the Company's auditors, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in the Company's financial statements for the year ended 31 December 2013. The work performed by ZHONGHUI ANDA in this respect did not constitute as 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 HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA on the preliminary announcement.

## **AUDIT COMMITTEE**

The audit committee (the "Audit Committee") was established by the Board since the listing of the Company's shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference adopted since its establishment in compliance with the Code as set out in Appendix 14 of the Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

The Audit Committee is responsible for reviewing the Company's interim and annual financial statements and making recommendation as to the approval of the Company's interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half-year results for the period ended 30 June 2013 and the annual results for the year ended 31 December 2013 of the Company before announcement of both results.

## **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, 19 March 2014

*As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Li Zhou; the Non-executive Directors are Mr. Jook Chun Kui Raymond and Mr. Sun Kuan Chi; the Independent Non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.*