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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)

2014 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 2014 as follows:

RESULTS

Gross sales proceeds of securities for the year ended 31 December 2014 amounted to HK\$70,884,000 which making gains on listed securities investment was HK\$1,925,000, while the gross sales proceeds of securities for the year ended 31 December 2013 amounted to HK\$64,503,000 which making losses on listed securities investment was HK\$808,000. Revenue for the year ended 31 December 2014 amounted to HK\$86,000, representing a 77% decrease when compared with the revenue of HK\$374,000 for the year ended 31 December 2013. The decrease was mainly attributable to the decrease in the dividend income.

Loss for the year and attributable to owners of the Company in 2014 amounted to approximately HK\$15,913,000, while the loss for the year and attributable to owners of the Company in 2013 amounted to approximately HK\$9,014,000. The loss increase for the year because of grant of share option amounted to approximately HK\$12,155,000 share-based payments expense during the year.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2014*

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Gross sales proceeds of securities		<u>70,884</u>	<u>64,503</u>
REVENUE	4	86	374
OTHER INCOME AND GAINS	4	537	–
Net realised gains on disposal of financial assets at fair value through profit or loss		1,990	76
Unrealised holding losses from financial assets and liabilities at fair value through profit or loss		(65)	(884)
Administrative and other operating expenses		<u>(18,461)</u>	<u>(8,580)</u>
LOSS BEFORE TAX	5	(15,913)	(9,014)
Income tax expense	6	<u>–</u>	<u>–</u>
LOSS FOR THE YEAR		<u>(15,913)</u>	<u>(9,014)</u>
Loss per share	8		
Basic		<u>(0.23 cents)</u>	<u>(0.13 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		581	1,417
Available-for-sale investments	9	270,764	270,764
Total non-current assets		271,345	272,181
CURRENT ASSETS			
Financial assets at fair value through profit or loss	10	2,605	15,328
Prepayments, deposits and other receivables		9,401	1,685
Cash and bank balances	11	23,732	21,772
Total current assets		35,738	38,785
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	10	14	177
Other payables and accruals		13,141	13,103
Total current liabilities		13,155	13,280
NET CURRENT ASSETS		22,583	25,505
TOTAL ASSETS LESS CURRENT LIABILITIES		293,928	297,686
NET ASSETS		293,928	297,686
EQUITY			
Issued share capital	12	69,794	69,794
Reserves	13	224,134	227,892
TOTAL EQUITY		293,928	297,686

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. 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 (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. 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.

The Company has not applied the 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	
	2014 HK'000	2013 HK'000	2014 HK'000	2013 HK'000	2014 HK'000	2013 HK'000
REVENUE						
Interest income	86	140	–	–	86	140
Dividend income from listed investments	–	234	–	–	–	234
	<u>86</u>	<u>374</u>	<u>–</u>	<u>–</u>	<u>86</u>	<u>374</u>
NON-CURRENT ASSETS						
Property, plant and equipment	<u>581</u>	<u>1,417</u>	<u>–</u>	<u>–</u>	<u>581</u>	<u>1,417</u>

4 REVENUE, OTHER INCOME AND GAINS

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

	2014 HK\$'000	2013 HK\$'000
Revenue		
Interest income	86	140
Dividend income from listed investments	–	234
Total revenue	<u>86</u>	<u>374</u>
Sundry income	10	–
Gain on disposal of available-for-sale investments	<u>527</u>	–
Other income and gains	<u>537</u>	–

5 LOSS BEFORE TAX

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Auditor's remuneration	170	155
Depreciation	836	974
Investment manager's fee	480	960
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	936	2,080
Pension scheme contributions	39	67
Share-based payments	6,165	–
Total employee benefits expenses	7,140	2,147
Operating lease charges		
— Hire of plant and equipment	–	540
— Land and building	960	960
Interest income	(86)	(140)
Dividend income from listed investments	–	(234)
Net exchange losses	126	287
	<u> </u>	<u> </u>

6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2014 and 2013 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss before tax	<u>(15,913)</u>	<u>(9,014)</u>
Tax at the statutory tax rate of 16.5% (2013: 16.5%)	(2,626)	(1,487)
Income not subject to tax	(14)	(62)
Expenses not deductible for tax	2,144	7
Tax loss not recognised	<u>496</u>	<u>1,542</u>
Tax charge at the Company's effective tax rate	<u> </u>	<u> </u>

As at 31 December 2014, the Company had unused tax losses of approximately HK\$46,198,000 (2013: HK\$43,190,000) 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 2014 and 2013.

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\$15,913,000 (2013: approximately HK\$9,014,000) and the weighted average number of ordinary shares of 6,979,385,753 (2013: 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 2014 and 2013.

9 AVAILABLE-FOR-SALE INVESTMENTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Unlisted securities, at cost		
Equity securities — Hong Kong	274,864	353,564
— British Virgin Islands (“BVI”)	78,700	—
Less: Impairment	(82,800)	(82,800)
	<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 2014 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	2014				2013		
						Cost	Impairment loss	Carrying amount	Dividend income received during the year	Dividend cover	Net assets attributable to the Company	Carrying amount
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 (2013: nil)	N/A	-	-
United Crown Future Company Limited ("United Overseas") (2013: United Crown Century Company Limited) ("United Crown")	BVI (2013: Hong Kong)	1,621 class B ordinary shares* (2013: 12,644 class B ordinary shares*)	1,200 class A ordinary shares and 1,877 class B ordinary shares (2013: 9,356 class A ordinary shares and 14,644 class B ordinary shares)	53%	Investment holding (note ii)	78,700	-	78,700	Nil (2013: nil)	N/A	108,583	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 (2013: nil)	N/A	135,355	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 (2013: nil)	N/A	111,783	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 (2013: nil)	N/A	38,163	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 2014 and 2013.

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"), 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 2011, 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 Overseas

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. In accordance with the reorganization agreement entered into between the Company, the remaining two shareholders of United Crown (collectively the "Former Shareholders") and United Overseas on 7 January 2014, United Crown transferred its 100% equity interest in United Overseas to the Former Shareholders according to their respective shareholding in United Crown (the "Reorganisation"). After the Reorganisation is completed, United Crown was disposed of on 10 January 2014 and the Company holds the equity interest in United Overseas directly.

(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. 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 2014 and 2013.

(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 2014 and 2013.

(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 has not been changed during the years 2014 and 2013.

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss		
Equity securities, at fair value		
Listed in Hong Kong	2,008	14,572
Listed in the United States	597	756
	<hr/>	<hr/>
Market value of listed securities	2,605	15,328
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities at fair value through profit or loss		
Futures, at fair value	14	177
	<hr/> <hr/>	<hr/> <hr/>

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

Particulars of the Company's 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/ (liabilities) attributable to the investments HK\$'000
At 31 December 2014								
China Maple Leaf Educational Systems Ltd. ("China Maple")	1	40,000	less than 1%	91	98	7	–	17
New China Life Insurance Co. Ltd. — H Shares ("New China")	2	6,000	less than 1%	232	235	3	–	313
China Overseas Land & Investment Ltd. ("China Overseas")	3	20,000	less than 1%	458	461	3	–	298
Tencent Holdings Ltd. ("Tencent")	4	5,000	less than 1%	576	562	(14)	–	47
Value Partners Group Ltd. ("Value Partners")	5	100,000	less than 1%	681	652	(29)	–	150
Alibaba Group Holding Limited ("Alibaba")	6	300	less than 1%	256	242	(14)	–	6
Facebook, Inc. ("Facebook")	7	400	less than 1%	247	242	(5)	–	40
Market Vectors Russia ETF ("Russia ETF")	8	1,000	less than 1%	115	113	(2)	–	118

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

Notes:

1. China Maple was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 1317). China Maple operates a network of bilingual private schools and preschools in the PRC under the "Maple Leaf" brand, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education within the PRC. The audited consolidated profit attributable to equity shareholders of China Maple for the year ended 31 August 2014 was approximately RMB40,036,000 (equivalent to HK\$49,969,000). At 31 August 2014, the audited consolidated net assets was approximately RMB476,234,000 (equivalent to HK\$594,388,000).

2. New China was incorporated in the PRC and its shares are listed on the Hong Kong Stock Exchange (stock code: 1336). The principal activity of New China Life is life insurance business in RMB and foreign currencies, acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement, as well as insurance consulting. For the period ended 30 June, 2014, the unaudited consolidated profit was approximately RMB3,749,000,000 (equivalent to HK\$4,679,127,000). At 30 June 2014, the unaudited consolidated net assets was approximately RMB43,291,000,000 (equivalent to HK\$54,031,497,000).
3. China Overseas was incorporated in Hong Kong and its shares are listed on the Hong Kong Stock Exchange (stock code: 688). The principal activity of China Overseas is property development, property sales and property rental in PRC. For the six months ended 30 June 2014, the unaudited consolidated profit was approximately HK\$13,065,308,000. At 30 June 2014, the unaudited consolidated net assets was approximately HK\$121,850,814,000.
4. Tencent was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 700). Tencent is principally engaged in the provision of Internet and mobile value-added services, online advertising services and eCommerce transactions services to users in the PRC. For the six months ended 30 June 2014, the unaudited consolidated profit was approximately RMB12,258,000,000 (equivalent to HK\$15,299,210,000). At 30 June 2014, the unaudited consolidated net assets was approximately RMB70,475,000,000 (equivalent to HK\$87,959,848,000).
5. Value Partners was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 806). Value Partners principally provides investment management services to investment funds and managed accounts. For the six months ended 30 June 2014, the unaudited consolidated profit was approximately HK\$139,106,000. At 30 June 2014, the unaudited consolidated net assets was approximately HK\$2,767,869,000.
6. Alibaba's shares are listed on the NASDAQ (stock symbol: BABA). Alibaba provides Internet infrastructure, e-commerce, online financial, and Internet content services. Alibaba offers its products and services worldwide. For the year ended 31 March 2014, the audited consolidated profit was approximately RMB3,720,000,000 (equivalent to HK\$4,642,932,000). At 31 March 2014, the audited consolidated net assets was approximately RMB40,818,000,000 (equivalent to HK\$50,944,946,000).
7. Facebook's shares are listed on the NASDAQ (stock symbol: FB). Facebook operates a social networking website. Facebook develops technologies that facilitate the sharing of information, photographs, website links, and videos. For the year ended 31 December 2014, the audited consolidated profit was approximately US\$2,925,000,000 (equivalent to HK\$22,680,450,000). At 31 December 2014, the audited consolidated net assets was approximately US\$36,096,000,000 (equivalent to HK\$279,888,384,000).
8. Russia ETF is an exchange-traded fund incorporated in the USA. The Fund seeks investment results that correspond to the price and yield of the Market Vectors Russia Total Return Index, which tracks publicly traded companies that are domiciled in Russia. At 31 December 2014, the unaudited consolidated net assets was approximately USD1,634,568,000 (equivalent to HK\$12,677,898,000).

11 CASH AND CASH EQUIVALENTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cash at banks		
Bank balances	21,582	9,527
Time deposits	2,147	11,318
	<u>23,729</u>	<u>20,845</u>
Cash on hand	3	3
Cash held in securities account of securities companies	–	924
	<u>23,732</u>	<u>21,772</u>

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 RMB8,979,000 (2013: approximately RMB16,105,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

12 SHARE CAPITAL

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
6,979,385,753 ordinary shares of HK\$0.01 each	<u>69,794</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 2014 and 2013.

13 NET ASSET VALUE PER SHARE

As at 31 December 2014 and 2013, 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 2014 of approximately HK\$293,928,000 (2013: HK\$297,686,000) and 6,979,385,753 (2013: 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.

Investing in unlisted companies

As at 31 December 2014, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future 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.

Investing in listed companies

The Company focus on investing listed companies in Hong Kong and United States on short terms. For the year ended 31 December 2014, the gross sales proceeds of listed securities is HK\$70,884,000 (2013: HK\$64,503,000) and making gains on listed securities investment is HK\$1,925,000 (2013: losses HK\$808,000).

INVESTMENT PORTFOLIOS

As at 31 December 2014, the Company holds certain listed investment which are disclosed in note 10 to the financial statement.

As at 31 December 2014, the Company hold 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 energy-saving batteries for new energies as its major products. The characteristics of such product are 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. 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. 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 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 eco-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) 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. 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. 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 2014, the Company had cash and bank balances of approximately HK\$23,732,000. 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 2014. 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 2014, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Future aggregate minimum lease payments under operating leases in respect of land and buildings:		
— within one year	960	480
— in the second to fifth years inclusive	1,440	—
	<u>2,400</u>	<u>480</u>

Operating lease payments represent rentals payable by the Company for its offices. 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>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited (“CES”)	<i>(a)</i>	<u>480</u>	<u>960</u>
Rental expenses paid to New Era Group (China) Limited (“NEG”)	<i>(b)</i>	<u>960</u>	<u>960</u>
Rental deposit paid to NEG	<i>(b)</i>	<u>160</u>	<u>160</u>

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 2012 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.

- (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 2014 with the same terms and conditions.

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	335	340
Share-based payments	6,021	–
Total compensation paid to key management personnel	6,356	340

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2014, 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 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 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 Future Company Limited (“United Overseas ”). Being the pioneer in the new energy-saving eco-sheet industry in the People’s Republic of China (the “PRC”) market, United Overseas mainly specialises 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 technologies.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in 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 2014.

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 2014, 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 is the Chief Executive Officer of the Company during the year 2014 and become the Chairman of the Board of the Company 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 its 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 2014, the Company had 11 (2013: 13) employees and the total remuneration paid to staff (including directors' remuneration) was approximately of HK\$7,140,000 (2013: of approximately HK\$2,147,000) during the year under review. Total remuneration increased during the year because of grant of share option during the year. 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 2014 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 2014. 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.

Mr. David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met at least twice during the year and the respective attendance at such meeting during the year ended 31 December 2014 was:

The Audit Committee has reviewed both the half-year results for the period ended 30 June 2014 and the annual results for the year ended 31 December 2014 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 2015

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 and Mr Chen banyan is an alternate director to Mr. Li Zhou.