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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)

2011 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 2011 as follows:

RESULTS

Revenue for the year ended 31 December 2011 amounted to HK\$5,867,000, representing a 106% increase when compared with the revenue of HK\$2,848,000 for the year ended 31 December 2010. The increase was attributable to the increase in the interest income.

Loss for the year and attributable to owners of the Company in 2011 amounted to approximately HK\$689,000, while the profit for the year and attributable to owners of the Company in 2010 amounted to approximately HK\$3,586,000. The loss for the year was mainly due to the decrease in revenue from the investment in securities.

INCOME STATEMENT*Year ended 31 December 2011*

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
Gross sales proceeds of investments		<u>16</u>	<u>44,331</u>
REVENUE	4		
Interest income		5,867	2,187
Dividend income arising from available-for sale investments		<u>—</u>	<u>661</u>
		<u>5,867</u>	<u>2,848</u>
OTHER INCOME AND GAINS			
Sundry income		105	—
Net realised gains on disposal of available-for-sale investments		—	7,955
Fair value gains on investment properties		—	6,000
Gain on disposal on property, plant and equipment		<u>2,065</u>	<u>—</u>
		<u>2,170</u>	<u>13,955</u>
Net realised losses on disposal of financial assets at fair value through profit or loss		(113)	(2,439)
Administrative and other operating expenses		<u>(8,613)</u>	<u>(10,778)</u>
(LOSS)/PROFIT BEFORE TAX	5	(689)	3,586
Income tax expense	6	<u>—</u>	<u>—</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(689)</u>	<u>3,586</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	8(a)	<u>(0.01) cents</u>	<u>0.05 cents</u>
Diluted	8(b)	<u>N/A</u>	<u>0.05 cents</u>

STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2011*

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u><u>(689)</u></u>	<u><u>3,586</u></u>
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
— Reclassification adjustments for (gains)/losses included in income statement	<u>—</u>	<u>(2,862)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>—</u>	<u>(2,862)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u><u>(689)</u></u>	<u><u>724</u></u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
NON — CURRENT ASSETS			
Property, plant and equipment		3,426	5,730
Investment properties	<i>9</i>	—	54,000
Available-for-sale investments	<i>10</i>	313,274	100,017
Loan receivables	<i>11</i>	—	158,795
Deposit for acquisition of available-for-sale investments	<i>12</i>	35,790	—
Total non-current assets		352,490	318,542
CURRENT ASSETS			
Interest receivables		—	2,058
Prepayments, deposits and other receivables		2,501	2,823
Cash and bank balances	<i>13</i>	97,909	81,146
Total current assets		100,410	86,027
CURRENT LIABILITIES			
Other payables and accruals		60,783	11,763
Total current liabilities		60,783	11,763
NET CURRENT ASSETS		39,627	74,264
TOTAL ASSETS LESS CURRENT LIABILITIES		392,117	392,806
Net assets		392,117	392,806
EQUITY			
Issued capital	<i>14</i>	69,794	69,794
Reserves		322,323	323,012
Total equity		392,117	392,806
Net asset value per share	<i>15</i>	HK\$0.06	HK\$0.06

Notes:

1. CORPORATE INFORMATION

China Innovation Investment Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F., 9 Des Voeux Road West, Sheung Wan, Hong Kong. The shares of the Company have been 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 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”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing on Securities of the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for investment properties and certain available-for-sale investments, 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 2011. 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 for the early adoption of amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets, 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 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, loan receivables and deposit for acquisition of available-for-sale investments) by geographical location are detailed below:

	Hong Kong		PRC (not including Hong Kong)		Total	
	2011 HK'000	2010 HK'000	2011 HK'000	2010 HK'000	2011 HK'000	2010 HK'000
Revenue						
Interest income	5,867	2,187	—	—	5,867	2,187
Dividend income arising from available-for-sale investments	—	661	—	—	—	661
	<u>5,867</u>	<u>2,848</u>	<u>—</u>	<u>—</u>	<u>5,867</u>	<u>2,848</u>
Non-current assets						
Property, plant and equipment	3,426	5,730	—	—	3,426	5,730
Investment properties	—	54,000	—	—	—	54,000
	<u>3,426</u>	<u>59,730</u>	<u>—</u>	<u>—</u>	<u>3,426</u>	<u>59,730</u>

4 REVENUE

An analysis of the revenue of the Company is as follows:

	2011 HK\$'000	2010 HK\$'000
Interest income	5,867	2,187
Dividend income from available-for-sale investments	—	661
Total revenue	<u>5,867</u>	<u>2,848</u>

5 (LOSS)/PROFIT BEFORE TAX

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Auditors' remuneration	116	128
Depreciation	1,148	841
Investment manager's fee	300	300
Net realised losses on disposal of financial assets at fair value through profit or loss	113	2,439
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	2,630	1,870
Pension scheme contributions	77	62
Equity-settled share option expenses	—	3,751
Total employee benefits expenses	2,707	5,683
Minimum lease payments under operating leases, land and buildings	960	960
Interest income	(5,867)	(2,187)
Net realised gains on disposal of available-for-sale investments	—	(7,955)
Fair value gains on investment properties	—	(6,000)
Gain on disposal of property, plant and equipment	(2,065)	—
	<u>(2,065)</u>	<u>—</u>

6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for the years ended 31 December 2011 and 2010 since the Company has no assessable profit arose in Hong Kong for both years.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(Loss)/profit before tax	<u>(689)</u>	<u>3,586</u>
Tax at the statutory tax rate	(114)	592
Income not subject to tax	(407)	(2,425)
Expenses not deductible for tax	—	618
Tax loss not recognised	521	1,215
Tax charge at the Company's effective tax rate	<u>—</u>	<u>—</u>

As at 31 December 2011, the Company had unused tax losses of approximately HK\$27,644,000 (2010: HK\$23,944,000) 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 2011 (2010: Nil).

8 EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK\$689,000 (2010: profit of approximately HK\$3,586,000) and the weighted average number of ordinary shares of 6,979,385,753 (2010: 6,576,842,630) in issue during the year.

(b) Diluted (loss)/earnings per share

No diluted loss per share for the year ended 31 December 2011 is presented as the warrants and options for the year ended 31 December 2011 are either no dilutive potential or anti-dilutive.

The calculation of diluted earning per share for the year ended 31 December 2010 attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$3,586,000 and the weighted average number of ordinary shares of 6,681,840,531 being the weighted average number of ordinary shares of 6,576,842,630 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 104,997,901 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

9 INVESTMENT PROPERTIES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Carrying amount at 1 January	54,000	48,000
Additions	—	—
Gain on fair value adjustment	—	6,000
Disposal	(54,000)	—
	<hr/>	<hr/>
Carrying amount at 31 December	—	54,000
	<hr/> <hr/>	<hr/> <hr/>

10 AVAILABLE-FOR-SALE INVESTMENTS

	2011 HK\$'000	2010 HK\$'000
Unlisted equity securities, at cost	317,774	104,517
Less: Impairment	(4,500)	(4,500)
Net carrying value	<u>313,274</u>	<u>100,017</u>

Notes:

- (a) The following is a list of the Company's unlisted available-for-sale investments as at 31 December 2011:

Unlisted equity securities

Name of investee company	2011						2010
	Cost HK\$'000	Impairment loss recognised HK\$'000	Carrying amount HK\$'000	% of total assets of the Company	% of equity interest	% of voting right	Carrying amount HK\$'000
Blue Angel (H.K.) Limited ("Blue Angel") (note i)	82,800	(4,500)	78,300	17%	63%	—	13,527
United Crown Century Company Limited ("United Crown") (note ii)	78,700	—	78,700	17%	53%	—	15,133
Aesthetic Vision Limited ("Aesthetic") (note iii)	78,349	—	78,349	17%	85%	—	51,355
Topsun Creation Limited ("Topsun") (note iv)	77,925	—	77,925	17%	68%	—	20,002
	<u>317,774</u>	<u>(4,500)</u>	<u>313,274</u>				<u>100,017</u>

(i) Investment in Blue Angel (H.K.) Limited

The Company held 3,750 class A ordinary shares ("Blue Angel Class A Shares") in Blue Angel with a carrying value of HK\$4,500,000 (after an impairment loss of HK\$4,500,000), which represented 7.5% equity interest in the issued share capital of Blue Angel at 31 December 2009.

On 20 April 2010, the Company entered into a shares swap agreement (the "Blue Angel Shares Swap Agreement") with Freewin Group Limited ("Freewin Group"), a shareholder of Blue Angel who held 8,750 Blue Angel Class A Shares, representing 17.5% equity interest in Blue Angel. Pursuant to the Blue Angel Shares Swap Agreement, the Company swapped all its 250 ordinary shares in Jinan LuGu (representing 25% equity interest in Jinan LuGu) for 8,750 Blue Angel Class A shares (representing 17.5% equity interest in Blue Angel) with Freewin Group at a consideration of HK\$9,000,000. Upon completion of the shares swap, the Company's equity interest in Blue Angel was increased from 7.5% to 25%.

On 25 June 2010, the Company further entered into a shareholder agreement, a subscription agreement and a loan agreement with Blue Angel (Holdings) Limited, the major shareholder of Blue Angel. Pursuant to which, Blue Angel issued and allotted 27,000 class B shares (“Blue Angel Class B Shares”) to the Company at a consideration of HK\$27,000 while the Company agreed to provide a shareholder loan of HK\$40,000,000 to Blue Angel which is unsecured, interest-free and repayable on 27 May 2039 and the remaining balance to be satisfied by cash upon on demand. The Class B shares rank pari passu with the Class A shares in all aspects except for their non-voting rights.

On 31 December 2011, the Company, Blue Angel (Holdings) Limited and Freewin Group entered into a memorandum. Pursuant to which, all parties agreed that the shareholder loan by the Company to Blue Angel will be capitalized as part of the Company’s investment in Blue Angel.

On 31 December 2011, the Company further agreed to acquire 9,000 Class A shares held by Blue Angel (Holdings) Limited at a consideration of HK\$16,200,000. The consideration was satisfied by the Promissory notes issued by Morgan Strategic Limited held by the Company worth for amounting to HK\$15,000,000 plus interest receivables amounting to HK\$767,550.69. The remaining amount is to be settled by cash amounting to HK\$432,449.31. The Company agreed that all of the acquired Class A shares and also the Class A shares held by the Company are to be converted into Class B shares and forfeited the voting right. At the end of the reporting period, the Company held 48,500 Class B shares of Blue Angel without voting right.

Blue Angel is not accounted for as a subsidiary or an associate of the Company as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, the investment in Blue Angel of approximately HK\$78,300,000 (after impairment loss of HK\$4,500,000) is classified as “available-for-sale investments” in the financial statements. No dividend was received from Blue Angel for the years ended 31 December 2011 and 2010.

The investment in Blue Angel is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of Blue Angel

Blue Angel is incorporated in Hong Kong and is principally engaged in investment holding. In previous years, Blue Angel indirectly held 38.5% equity interest in a company (the “Blue Angel Subsidiary A”) which was established in the PRC, and was principally engaged in manufacturing and trading of 發光二極管芯片. The investment in Blue Angel was impaired by HK\$4,500,000 as the Blue Angel Subsidiary A was deregistered during the year ended 31 December 2009.

During the year ended 31 December 2010, Blue Angel was principally invested in another wholly-owned subsidiary (the “Blue Angel Subsidiary B”) which was established in the PRC and is principally engaged in conducting research and development, manufacturing and the distribution of products applying the solar energy technology. The net assets of the Blue Angel subsidiary B amounted to approximately HK\$138,249,000 as at 31 December 2011 (2010: approximately of HK\$135,142,000).

(ii) *Investment in United Crown Century Company Limited*

On 30 June 2010 and 2 July 2010, the Company entered into a shares and shareholder loans swap agreements (the “United Crown Swap Agreements”) with Miden Fair Group Limited (“Miden Fair”), a major shareholder of United Crown, who held (i) 8,526 class A shares (representing 61%) (“United Crown Class A Shares”); and (ii) 4,644 class B shares (representing 33%) (“United Crown Class B Shares”). Pursuant to the United Crown Swap Agreements, (a) United Crown issued and allotted 8,000 United Crown Class B Shares to the Company at a consideration of HK\$8,000; United Crown Class B Shares to Miden Fair at a consideration of HK\$2,000; (b) the Company swapped all its 30 ordinary shares in Takenaka (representing 30% equity interest in

Takenaka) for 4,644 United Crown class B shares with Miden Fair at a consideration of approximately HK\$15,125,000; and (c) the Company swapped its shareholder loan granted to Takenaka of approximately HK\$23,576,000 for a shareholder loan with the same amount due by United Crown to Miden Fair.

On 31 December 2011, the Company and Miden Fair entered into a memorandum. Pursuant to which, all parties agreed that the shareholder loan by the Company to United Crown will be capitalized as part of the Company's investment in United Crown.

The United Crown class B shares rank pari passu with the United Crown class A shares in all aspects except for their non-voting rights. Upon completion of the allotment and shares Swap, the Company held approximately 53% equity interest in United Crown.

United Crown is not accounted for as a subsidiary or an associate of the Company as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, investment in United Crown of approximately HK\$78,700,000 is classified as "available-for-sale investments" in the financial statements. No dividend was received from United Crown for the years ended 31 December 2011 and 2010.

The investment in United Crown is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of United Crown

United Crown is incorporated in Hong Kong and is principally engaged in investment holding. At 31 December 2011, the principal asset of United Crown was its 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 net assets of this subsidiary was approximately HK\$168,062,000 as at 31 December 2011 (2010: approximately of HK\$164,128,000).

(iii) Investment in Aesthetic Vision Limited

On 15 November 2010, the Company entered into a shares swap and subscription agreement (the "Aesthetic Shares Swap Agreement") with Joy China Group Limited ("Joy China"), the sole shareholder of Aesthetic who holds (i) 1,000 class A shares (representing 33%) ("Aesthetic Class A Shares"); and (ii) 2,000 class B shares (representing 67%) ("Aesthetic Class B Shares") in Aesthetic. Pursuant to the Aesthetic Shares Swap Agreement, the Company swapped its 2,250 non-voting shares and 150 voting shares in Dooda (representing 80% equity interest in Dooda) with Joy China for (a) 1,890 Aesthetic Class B Shares at a consideration of approximately HK\$2,000; and (b) the subscription of 4,410 Aesthetic Class B Shares from Aesthetic at a consideration of approximately HK\$51,353,000.

On 31 December 2010, Aesthetic issued and allotted (a) 2,590 Aesthetic Class B Shares to Joy China at a consideration of approximately HK\$30,160,000; and (b) 4,410 Aesthetic Class B Shares to the Company at a consideration of approximately HK\$51,353,000. The Aesthetic Class B Shares rank pari passu with the Aesthetic Class A Shares in all aspects except for their non-voting right.

On 31 December 2011, the Company and Joy China entered into a memorandum. Pursuant to which, the Company agreed to acquire 2,200 Class B shares held by Joy China at a consideration of approximately HK\$26,993,865.03. The consideration was satisfied by the Promissory notes issued by Morgan Strategic Limited held by the Company worth for amounting to HK\$25,000,000 plus interest receivables amounting to HK\$1,279,251.15. The remaining amount is to be settled by cash amounting to HK\$714,613.88. At the end of the reporting period, the Company held 8,500 Class B shares of Aesthetic without voting right.

On 31 December 2011, the Company further entered into a subscription agreement with Aesthetic. Pursuant to which, the Company subscribed 2,200 Aesthetic Class B Shares at a consideration of RMB22,000,000 (equivalent to approximately HK\$26,993,865.03). The consideration was satisfied by convertible note issued by Morgan Strategic Limited held by the Company, principal amount of HK\$25,000,000 plus relevant bond interest receivables amounting to HK\$1,279,251.15. The remaining amount is to be settled by cash amounting to HK\$714,613.88. At the end of the reporting period, the Company held 8,500 Aesthetic Class B Shares without voting right.

Aesthetic is not accounted for as a subsidiary or an associate as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, investment in Aesthetic of approximately HK\$78,349,000 is classified as “available-for-sale investments” in the financial statements. No dividend was received from Aesthetic for the years ended 31 December 2011 and 2010.

The investment in Aesthetic is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of Aesthetic

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the 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 colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. The net assets of the subsidiary of Aesthetic amounted to approximately HK\$112,964,000 as at 31 December 2011 (2010: approximately of HK\$119,342,000).

(iv) *Investment in Topsun Creation Limited*

The Company entered into a sales and purchase agreement with China Seed International Limited (“China Seed”), which held 690 class A shares (“Topsun Class A Shares”) and 310 class B shares (“Topsun Class B Shares”) in Topsun, on 8 May 2009. Pursuant to which, among other things, the Company acquired 310 Topsun Class B Shares from China Seed at a consideration of HK\$20,000,000. The consideration was satisfied by the issue of consideration shares of HK\$0.01 each of the Company at an issue price of HK\$0.05 per share. Accordingly, 400,000,000 shares of HK\$0.01 each of the Company were allotted and issued as fully paid on 30 March 2010.

The Company further entered into a supplemental subscription agreement and a shareholder loan agreement with Topsun on 6 May 2010 and 17 May 2010 respectively, pursuant to which, (a) Topsun issued and allotted 1,000 Topsun Class B Shares to the Company at a consideration of HK\$1,000; and (b) the Company agreed to provide a shareholder loan (the “Topsun Loan”) of approximately HK\$17,259,000 to Topsun which is unsecured, interest-free and repayable on 26 March 2039.

On 28 June 2010 and 12 October 2010, the Company entered into a sales and purchase agreement with China Seed and a shareholder loan agreement with China Seed and Topsun. Pursuant to which, the Company acquired from China Seed (a) 1,100 Topsun Class B Shares at a consideration of RMB958 (equivalent to approximately HK\$1,100); and (b) a shareholder loan to Topsun of RMB27,500,000 (equivalent to approximately HK\$31,460,000) (the “Topsun Loan”). Part of the consideration of the Topsun Loan of HK\$20,000,000 was satisfied by the issue of 400,000,000 consideration shares of HK\$0.01 each of the Company at an issue price of HK\$0.05. Accordingly, 400,000,000 shares of HK\$0.01 each of the Company were allotted and issued on 14 October 2010. The remained consideration of approximately HK\$11,460,000 was included in other payable in the statement of financial position.

On 31 December 2011, the Company and China Seed entered into a memorandum. Pursuant to which, all parties agreed that the shareholder loan by the Company to Topsun will be capitalized as part of the Company's investment in Topsun.

On 31 December 2011, the Company further agreed to acquire 300 Class B shares held by China Seed at a consideration of RMB7,500,000 (equivalent to approximately HK\$9,202,453.99). The consideration was satisfied by the Promissory notes issued by Morgan Strategic Limited held by the Company worth for amounting to HK\$8,500,000 plus interest receivables amounting to HK\$434,945.39. The remaining amount is to be settled by cash amounting to HK\$267,508.60. At the ended of the reporting period, the Company held 2,710 Topsun Class B Shares without voting right. Topsun Class B Shares rank pari passu with Topsun Class A Shares in all aspects except for their non-voting rights.

Topsun is not accounted for as a subsidiary or an associate of the Company as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, investment in Topsun of approximately HK\$77,925,000 is classified as "available-for-sale investments" in the financial statements. No dividend was received from Topsun for the years ended 31 December 2011 and 2010.

The investment in Topsun is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of Topsun

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. As at 31 December 2011, the principal asset of Topsun was its 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 net assets of the subsidiary of Topsun was approximately HK\$108,641,000 as at 31 December 2011 (2010: approximately of HK\$116,624,000).

11 LOAN RECEIVABLES

	2011	2010
	HK\$'000	HK\$'000
Interest-bearing loan receivable		
— Morgan Strategic Loan (<i>note (i)</i>)	—	46,500
Shareholder loan receivables		
— United Crown Loan (<i>note (ii)</i>)	—	23,576
— Blue Angel Loan (<i>note (iii)</i>)	—	40,000
— Topsun Loan (<i>note (iv)</i>)	—	48,719
	<u>—</u>	<u>158,795</u>

- (i) On 30 September 2009, the Company entered into a loan agreement with Morgan Strategic Limited (“Morgan Strategic”), an independent third party, pursuant to which, the Company agreed to provide a loan facility of up to HK\$40,000,000 (“the Morgan Strategic Loan”) to Morgan Strategic of which HK\$33,000,000 was drawn by Morgan Strategic as at 31 December 2009. The Morgan Strategic Loan is unsecured, repayable on 25 May 2014 and bears interest at an effective interest rate (which equals to contractual interest rate) of 5% per annum.

On 22 June 2010, the Company further entered into a supplemental loan agreement with Morgan Strategic, pursuant to which, the Company increased the loan facility to HK\$50,000,000 to Morgan Strategic, which is unsecured, bears an interest rate at 5% per annum and is repayable on 21 June 2015. As at 31 December 2011, the outstanding amount of the Morgan Strategic Loan was HK\$48,500,000 and the corresponding interest receivable of approximately HK\$2,482,000 (2010: approximately of HK\$2,058,000).

On 31 December 2011, the Company had entered into the memorandums with the shareholders of Blue Angel (H.K.), Aesthetic and Topsun. Pursuant to the memorandums, the Company agreed to acquire shares of those companies and the consideration will be partially satisfied by the principal amount and the corresponding interest receivables of the loan to Morgan Strategic Limited.

- (ii) The Company had a shareholder loan due from United Crown (the “United Crown Loan”) of approximately HK\$23,576,000 in prior year. The United Crown Loan was unsecured and interest-free and repayable on 27 September 2039. During the year, pursuant to the memorandum with Miden Fair on 31 December 2011, the United Crown Loan had been settled by capitalizing into the equity interest of United Crown.
- (iii) On 25 June 2010, the Company entered into a loan agreement with Blue Angel, pursuant to which, the Company had provided a shareholder loan (the “Blue Angel Loan”) of HK\$40,000,000 to Blue Angel, which is unsecured, interest-free and repayable on 27 May 2039. During the year, pursuant to the memorandum with Blue Angel (Holdings) on 31 December 2011, the Blue Angel Loan had been settled by capitalizing into the equity interest of Blue Angel (note 16).
- (iv) On 17 May 2010, the Company entered into a loan agreement with Topsun, pursuant to which, the Company provided a shareholder loan of HK\$17,259,000 to Topsun. On 28 June 2010 and 12 October 2010, the Company further entered into a sales and purchase agreement with China Seed and a shareholder loan agreement with China Seed and Topsun, pursuant to which, the Company acquired from China Seed a shareholder loan to Topsun in the amount of approximately HK\$31,460,000. The loan in aggregate amount of approximately HK\$48,719,000 (the “Topsun Loan”) is unsecured, interest free and repayable on 26 March 2039. During the year, pursuant to the memorandum with China Seed on 31 December 2011, the Topsun Loan had been settled by capitalizing into the equity interest of Topsun (note 16).

12 DEPOSIT FOR ACQUISITION OF AVAILABLE-FOR-SALE INVESTMENT

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Deposit for acquisition of available-for-sale investment (<i>note i</i>)	<u>35,790</u>	<u>—</u>

- (i) On 31 December 2011, the Company had entered into an agreement with 王卓, which the Company agreed to acquire 6,300 Class B shares as well as the shareholder loan amounting to RMB63,000,000 of Grand Far Sky Limited (廣遠星空有限公司), a company incorporated in Hong Kong under limited liability. The total consideration is RMB63,000,000 plus HK\$6,300 which the Company had made RMB30,000,000 (equivalent to approximately HK\$35,790,000) as the deposit for the acquisition.

13 CASH AND CASH EQUIVALENTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cash at banks		
Bank balances	19,121	1,741
Time deposits	<u>77,435</u>	<u>65,071</u>
	96,556	66,812
Cash on hand	3	3
Cash held in securities account of securities companies	<u>1,350</u>	<u>14,331</u>
	<u>97,909</u>	<u>81,146</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 RMB75,012,000 (2010: approximately RMB33,844,000). 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.

14 SHARE CAPITAL

	2011 <i>HK\$'000</i>	2010 <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 2011 and 2010.

(b) Warrants

The Company had 800,000,000 warrants granted on 27 December 2007 which remained outstanding as at 31 December 2011 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 during the two years ended 31 December 2011 and 2010.

15 NET ASSET VALUE PER SHARE

As at 31 December 2011 and 2010, the net asset value per share of the Company was HK\$0.06 and HK\$0.06, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2011 of HK\$392,117,000 (2010: HK\$392,806,000) and 6,979,385,753 (2010: 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 2011, the Company held investments in four unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Century Company Limited and Blue Angel (H.K.) Limited and carrying values of these investments were approximately HK\$77,925,000, HK\$78,349,000, HK\$78,700,000 and HK\$78,300,000 respectively (after impairment provision of HK\$4,500,000).

INVESTMENT PORTFOLIOS

As at 31 December 2011, 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 2011, 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 total investment of the Company in Topsun Creation amounted to HK\$77,925,000 and 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 received 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 Vision 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 Crowed was indirectly 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 received any dividend from United Crown during the year.
- (iv) Blue Angel (H.K.) Limited ("BA") is incorporated in Hong Kong and principally engaged in investment holding. BA holds a wholly-owned subsidiary incorporated in the PRC, of which the principal activity is producing and assembly of new products such as solar electric cars, solar energy electronic books and solar energy advertising screens with the use of solar energy and LED 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 2011, the Company holds 48,500 "B" ordinary shares in BA, which represented 62.99% interest in the issued share capital of BA. No dividend was received during the year.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2011, the Company had cash and bank balances of approximately HK\$97,909,000. All the cash and bank balances were mainly placed with banks and securities house.

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 2011. 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.

OPERATING LEASE ARRANGEMENTS

The Company leases certain of its office properties under operating lease arrangements. Lease for property is negotiated for terms of three years.

At 31 December 2011, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one year	1,500	480
In the second to fifth years, inclusive	2,520	—
	4,020	480

COMMITMENTS

Apart from the operating lease commitments detailed in the above, the Company had the following capital commitments at the end of the reporting period.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Commitment on acquisition of available-for-sale investment	40,263	18,193

RELATED PARTY TRANSACTIONS

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	<u>300</u>	<u>300</u>
Brokerage commission and handling fee paid to China Everbright Securities (HK) Limited (<i>note b</i>)	<u>—</u>	<u>29</u>
Rental expenses paid to New Era Group (China) Limited (<i>note c</i>)	<u>960</u>	<u>960</u>
Rental deposit paid to New Era Group (China) Limited (<i>note c</i>)	<u>160</u>	<u>160</u>
Proceed from disposal of investment properties received from New Era Group (China) Limited (<i>note d</i>)	<u>1,000</u>	<u>—</u>

The related party transactions were conducted on terms negotiated between the Company and the related companies.

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 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 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.
- (b) Brokerage commission rate is charged at the rate ranged from 0.25% to 1% of the value of the transactions. Handling fee is charged at HK\$100 per each IPO application.

- (c) The Company entered into a tenancy agreement (the “Tenancy Agreement”) with New Era Group (China) Limited (“NEG”), a company of which Mr. Xiang Xin, a director of the Company has control, for the occupancy of an office premises for a 3 years term commenced from 1 July 2008. 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.
- (d) The Company entered into a sale and purchase agreement with NEG on 9 May 2010. Pursuant to which, the Company agreed to sell an investment property located in Hong Kong to NEG at a consideration of HK\$999,900.

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

	2011	2010
	HK\$'000	HK\$'000
Short term employee benefits	568	2,441
Post-employment benefits	—	—
Pension	6	12
	<u>574</u>	<u>2,453</u>
Total compensation paid to key management personnel	574	2,453

(iii) The investment managers was remunerated based on their respective investment management agreement as follows:

	2011	2010
	HK\$'000	HK\$'000
China Everbright Securities (HK) Limited (“CES”)	300	300
	<u>300</u>	<u>300</u>

Note:

The Company and CES entered into an investment management agreement for appointing as investment manager of the Company. The investment management fee is fixed at HK\$300,000 per annum.

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, 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 energy-saving technology sectors. We invest in listed and non-listed 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 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 Vision”). Aesthetic Vision’s major product is LED lighting. It possesses of LED ergonomics technology with features including appropriate light flux, healthy spectrum and compliance to ergonomics.

For “New Materials”, the Company invests in United Crown Century Company Limited (“United Crown Century”). Being the pioneer in the new energy-saving eco-sheet industry in the PRC market, United Crown Century 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”), which mainly engages in producing and assembly of solar products with the use of solar energy and LED technologies, so as to provide a one-stop production setting with synergy effect.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in new technologies like solar energy and LED, 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 2011.

CAPITAL STRUCTURE

For movement of Capital Structure of the Company, please refer to note 14 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 establishing and maintaining 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 2011, 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 ("Mr. Xiang") performs both of the roles as the chairman and the chief executive officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

EMPLOYEE INFORMATION

As at 31 December 2011, the Company had 9 (2010: 7) employees and the total remuneration paid to staff was approximately of HK\$2,707,000 (2010: of approximately HK\$5,683,000) during the year under review. The Company ensured that its employees are 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 2011 have been agreed by the Company's auditors, ANDA CPA Limited ("ANDA"), to the amounts set out in the Company's financial statements for the year ended 31 December 2011. The work performed by 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 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 examined the accounting principles and practices adopted by the Company and discussed with the management its internal controls and accounts. The Audit Committee has reviewed the audited financial statements of the Company for the year ended 31 December 2011.

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, 12 March 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee, Mr. Li Zhou and Mr. Jook Chun Kui Raymond; the Non-executive Director is Mr. Ng Kwong Chue Paul; the Independent Non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.