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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)

2010 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 2010 as follows:

RESULTS

Revenue for the year ended 31 December 2010 amounted to HK\$2,848,000, representing a 73.6% decrease when compared with the revenue of HK\$10,801,000 for the year ended 31 December 2009. The decrease was attributable to the decrease in the interest income and the drop in the gain on disposal of financial assets at fair value through profit or loss.

Profit for the year and attributable to owners of the Company in 2010 amounted to approximately HK\$3,586,000, while the profit for the year and attributable to owners of the Company in 2009 amounted to approximately HK\$30,739,000. The decrease in profit for the year was mainly due to the decrease in the gain on fair value change of investment properties, interest income and net realised gains on disposal of financial assets at fair value through profit or loss and the increase in equity-settled share option expenses.

INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Gross sales proceeds of financial assets at fair value through profit or loss and available-for-sale investment		<u>44,331</u>	<u>49,832</u>
REVENUE	4		
Interest income		2,187	7,438
Dividend income arising from available-for sale investments		661	817
Net realised gains on disposal of financial assets at fair value through profit or loss		<u>–</u>	<u>2,546</u>
		<u>2,848</u>	<u>10,801</u>
Other income and gains		–	1,506
Net realised gains on disposal of available-for-sale investments		7,955	8,644
Fair value gains on investment properties		<u>6,000</u>	<u>16,691</u>
		<u>13,955</u>	<u>26,841</u>
Net realised losses on disposal of financial assets at fair value through profit or loss		(2,439)	–
Administrative and other operating expenses		(10,778)	(6,294)
Finance costs	5	<u>–</u>	<u>(609)</u>
PROFIT BEFORE TAX	6	3,586	30,739
Income tax expense	7	<u>–</u>	<u>–</u>
PROFIT FOR THE YEAR		<u>3,586</u>	<u>30,739</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9(a)	<u>0.05 cents</u>	<u>0.58 cents</u>
Diluted	9(b)	<u>0.05 cents</u>	<u>0.57 cents</u>

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u><u>3,586</u></u>	<u><u>30,739</u></u>
OTHER COMPRHENSIVE INCOME		
Available-for-sale investments:		
– Change in fair value	–	11,245
– Reclassification adjustments for (gains)/losses included in income statement	<u>(2,862)</u>	<u>6,586</u>
OTHER COMPRHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(2,862)</u>	<u>17,831</u>
TOTAL COMPRHENSIVE INCOME FOR THE YEAR	<u><u>724</u></u>	<u><u>48,570</u></u>

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,730	2,516
Investment properties	<i>10</i>	54,000	48,000
Available-for-sale investments	<i>11</i>	100,017	114,067
Loan receivables	<i>12</i>	158,795	56,576
Deposit for acquisition of property, plant and equipment		<u>–</u>	<u>303</u>
Total non-current assets		<u>318,542</u>	<u>221,462</u>
CURRENT ASSETS			
Interest receivables		2,058	973
Prepayments, deposits and other receivables		2,823	3,393
Cash and bank balances	<i>13</i>	<u>81,146</u>	<u>122,396</u>
Total current assets		<u>86,027</u>	<u>126,762</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>11,763</u>	<u>319</u>
Total current liabilities		<u>11,763</u>	<u>319</u>
NET CURRENT ASSETS		<u>74,264</u>	<u>126,443</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>392,806</u>	<u>347,905</u>
Net assets		<u>392,806</u>	<u>347,905</u>
EQUITY			
Issued capital	<i>14</i>	69,794	61,709
Reserves		<u>323,012</u>	<u>286,196</u>
Total equity		<u>392,806</u>	<u>347,905</u>
Net asset value per share	<i>15</i>	<u>HK\$0.06</u>	<u>HK\$0.06</u>

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 KY1-1111, 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 of Securities of the Stock Exchange and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale investments in listed shares, 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 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adopting of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 Amendments	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Included in Improvement To HKFRS issued in October 2008	
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)–Int 17	Distributions of Non-cash Assets to Owners
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Lease-Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause

2.3 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 Amendments	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Right Issues ¹
HK(IFRIC)–Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)– Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

- ¹ Effective for annual periods beginning on or after 1 February 2010
- ² Effective for annual periods beginning on or after 1 July 2010
- ³ Effective for annual periods beginning on or after 1 January 2011
- ⁴ Effective for annual periods beginning on or after 1 July 2011
- ⁵ Effective for annual periods beginning on or after 1 January 2013

While the adoption of those changes will result in changes in the accounting policy, the changes are unlikely to have any significant impact on the Company. Further information about those changes that are expected to have a significant impact on the Company's policies is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

The Company has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes resulting from the Amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Company expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Company expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Company expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Company. Those amendments that are expected to have a significant impact on the Company's policies are as follows:

- (a) **HKFRS 3 Business Combinations:** Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- (b) **HKAS 1 Presentation of Financial Statements:** Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- (c) **HKAS 27 Consolidated and Separate Financial Statements:** Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Company's primary operating segment is an 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 segment assets and liabilities for the years ended 31 December 2009 and 2010, analysed by geographical market, are as follows:

	Hong Kong, SAR		PRC (not including Hong Kong, SAR)		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES						
ASSETS						
Segment assets	<u>192,257</u>	<u>244,671</u>	<u>212,312</u>	<u>103,553</u>	<u>404,569</u>	<u>348,224</u>
Total assets					<u>404,569</u>	<u>348,224</u>
LIABILITIES						
Segment liabilities	<u>11,763</u>	<u>319</u>	<u>-</u>	<u>-</u>	<u>11,763</u>	<u>319</u>
OTHER INFORMATION						
Capital additions	4,055	33,138	-	-	4,055	33,138
Fair value change on investment properties	6,000	16,691	-	-	6,000	16,691
Depreciation	<u>841</u>	<u>259</u>	<u>-</u>	<u>-</u>	<u>841</u>	<u>259</u>

4 REVENUE

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

	2010 HK\$'000	2009 HK\$'000
Interest income	2,187	7,438
Dividend income from available-for-sale investments	661	817
Net realised gains on disposal of financial assets at fair value through profit or loss	-	2,546
Total revenue	<u>2,848</u>	<u>10,801</u>

5 FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest:		
Notional interest expenses on zero-coupon convertible bonds	<u>–</u>	<u>609</u>

6 PROFIT BEFORE TAX

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Auditors' remuneration	128	128
Depreciation	841	259
Investment manager's fee	300	300
Net realised losses on disposal of financial assets at fair value through profit or loss	2,439	–
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	1,870	1,761
Pension scheme contributions	62	55
Equity-settled share option expenses – change in fair value of share options arising from extension of exercise period	<u>3,751</u>	<u>–</u>
	<u>5,683</u>	<u>1,816</u>
Minimum lease payments under operating leases, land and buildings	960	960
Interest income	(2,187)	(7,438)
Net realised gains on disposal of available-for-sale investments	(7,955)	(8,644)
Fair value gains on investment properties	<u>(6,000)</u>	<u>(16,691)</u>

7 INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the year ended 31 December 2010 as the Company did not generate any assessable profits arising in Hong Kong during the year.

Hong Kong profits tax has not been provided for the year ended 31 December 2009 as the Company had available tax losses brought forward to offset the assessable profits generated during the year.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2010		2009	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	<u>3,586</u>		<u>30,739</u>	
Tax at the statutory tax rate	592	16.5	5,072	16.5
Income not subject to tax	(2,425)	(67.6)	(1,564)	(5.1)
Expenses not deductible for tax	618	17.2	–	–
Tax benefits not recognised/(utilised)	1,215	33.9	(3,415)	(11.1)
Others	–	–	(93)	(0.3)
Tax charge at the Company's effective tax rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2010, the Company had unused tax losses of approximately HK\$23,944,000 (2009: HK\$16,585,000) 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.

8 DIVIDENDS

The Directors did not recommend the declaration of any dividend for the year ended 31 December 2010 (2009: Nil).

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of HK\$3,586,000 (2009: HK\$30,739,000) and the weighted average number of 6,576,842,630 (2009: 5,282,365,862) ordinary shares in issue during the year.

(b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is the same as those for the basic earnings per share, as set out above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basis earnings per share as follows:

	2010	2009
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	6,576,842,630	5,282,365,862
Effect on dilution – weighted average number of ordinary shares:		
– Share options	104,997,901	127,540,645
– Warrants	–	–
	<u>6,681,840,531</u>	<u>5,409,906,507</u>

10 INVESTMENT PROPERTIES

	2010 HK\$'000	2009 HK\$'000
Carrying amount at 1 January	48,000	–
Additions	–	31,309
Gain on fair value adjustment	6,000	16,691
	<u>54,000</u>	<u>48,000</u>
Carrying amount at 31 December	<u>54,000</u>	<u>48,000</u>

The properties are situated in Hong Kong and are held under a medium term lease. As at 31 December 2010, the fair value of the investment properties was assessed by Ascent Partners Transaction Service Limited, an independent qualified professional valuer. The valuation was arrived at by reference to open market values of similar properties.

11 AVAILABLE-FOR-SALE INVESTMENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Unlisted equity securities, at cost (a)	104,517	84,478
Less: Impairment	<u>(4,500)</u>	<u>(4,500)</u>
Net carrying value	100,017	79,978
Listed equity securities, Hong Kong at fair value (b)	<u>–</u>	<u>34,089</u>
Net carrying value	<u>100,017</u>	<u>114,067</u>

(a) The following is a list of the Company's unlisted available-for-sale investments as at 31 December 2010:

Unlisted equity securities

Name of investee company	2010					2009 Carrying amount <i>HK\$'000</i>	
	Cost <i>HK\$'000</i>	Impairment loss recognised <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>	% of total assets of the Company	% of equity interest		% of voting right
Blue Angel (H.K.) Limited ("Blue Angel") (note (i))	18,027	(4,500)	13,527	3.3%	51%	25%	4,500
Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu") (note (ii))	–	–	–	–	–	–	9,000
United Crown Century Company Limited (formerly known as Moral Glory Limited) ("United Crown") (note (iii))	15,133	–	15,133	3.7%	53%	–	–
Takenaka Investment Company Limited ("Takenaka") (note (iv))	–	–	–	–	–	–	15,125
Aesthetic Vision Limited (formerly known as Skyjet Limited) ("Aesthetic") (note (v))	51,355	–	51,355	12.7%	63%	–	–
Dooda Innovation Limited ("Dooda") (note (vi))	–	–	–	–	–	–	51,353
Topsun Creation Limited ("Topsun") (note (vii))	<u>20,002</u>	<u>–</u>	<u>20,002</u>	4.9%	60%	–	<u>–</u>
	<u>104,517</u>	<u>(4,500)</u>	<u>100,017</u>				<u>79,978</u>

Notes:

(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 minority 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, and 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 (note 12(iii)). The Blue Angel Class B Shares rank pari passu with the Blue Angel Class A Shares in all aspects except for their non-voting rights. Upon completion of the allotment, the Company held 12,500 Blue Angel Class A Shares and 27,000 Blue Angel Class B Shares. Accordingly, the Company’s equity interest in Blue Angel increased from 25% to approximately 51% since then.

Blue Angel is not accounted for as a subsidiary and 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\$13,527,000 (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 during the year (2009: nil).

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 People’s Republic of China (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 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.

(ii) Investment in Jinan LuGu (HK) Technology Development Limited

The Company held 250 ordinary shares in Jinan LuGu at cost of HK\$9,000,000, which represented 25% equity interest in the issued share capital of Jinan LuGu in 2009.

As detailed in note 11(i) above, 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) during the year. Upon completion of the shares swap, the Company ceased to have any investment in Jinan LuGu.

No dividend was received from Jinan LuGu during the year (2009: nil).

Background information of Jinan LuGu

Jinan LuGu is incorporated in Hong Kong and is principally engaged in investment holding. It indirectly holds 59.5% equity interest in a company established in the PRC, which is principally engaged in manufacturing and trading of 陶瓷微電路基板，微電路模塊，陶瓷電子元組件.

(iii) Investment in United Crown Century Company Limited (formerly known as Moral Glory 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 and 2,000; 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 (note 12(ii)).

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 and 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\$15,133,000 is classified as “available-for-sale investments” in the financial statements. No dividend was received from United Crown during the year.

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 2010, 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.

(iv) Investment in Takenaka Investment Company Limited

The Company held 30 ordinary shares in Takenaka at cost of approximately HK\$15,125,000, which represented 30% equity interest in the issued share capital of Takenaka in 2009.

As detailed in note 11(iii) above, the Company swapped all its 30 ordinary shares in Takenaka (representing 30% equity interest in Takenaka) for 4,644 United Crown class B shares during the year. Upon completion of the shares swap, the Company ceased to have any investment in Takenaka.

No dividend was received from Takenaka during the year (2009: nil).

Background information of Takenaka

Takenaka is incorporated in the British Virgin Islands and is principally engaged in investment holding. Takenaka indirectly held 65% equity interest in a company established in the PRC which is principally engaged in manufacturing and distribution of copper foils for civil and military uses.

(v) Investment in Aesthetic Vision Limited (formerly known as Skyjet 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. Upon completion of the shares swap and allotment, the Company held 63% equity interest in Aesthetic.

Aesthetic is not accounted for as a subsidiary and 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\$51,355,000 is classified as “available-for-sale investments” in the financial statements. No dividend was received from Aesthetic during the year.

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.

(vi) Investment in Dooda Innovation Limited

The Company held 2,250 non-voting shares and 150 voting shares in Dooda, which represented an aggregate of 80% equity interest in the issued share capital of Dooda in 2009.

As detailed in note 11(v) above, the Company swapped its 2,250 non-voting shares and 150 voting shares in Dooda (representing 80% equity interest in Dooda) for 1,890 Aesthetic Class B Shares during the year. Upon completion of the shares swap, the Company ceased to have any investment in Dooda.

No dividend was received from Dooda during the year (2009: nil).

Background information of Dooda

Dooda is incorporated in Hong Kong and is principally engaged in investment holding. Dooda directly held 95% 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 new LED backlight and lighting technology.

(vii) 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 (note 14(v)).

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 (note 14(vi)). The remained consideration of approximately HK\$11,460,000 was included in other payable in the statement of financial position.

As at 31 December 2010, the Company holds 2,410 Topsun Class B Shares, which represented approximately 60% equity interest in the issued share capital of Topsun. 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 and 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\$20,002,000 is classified as “available-for-sale investments” in the financial statements. No dividend was received from Topsun during the year.

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 2010, 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.

- (b) Balance represented Hong Kong listed equity securities acquired for trading purpose in 2008 which was reclassified from financial assets at fair value through profit or loss to available-for-sale investments pursuant to the amendments to HKAS 39 and HKFRS 7 “Reclassification of Financial Assets”.

As at 31 December 2009, the carrying amount which was also the fair value of the financial assets being reclassified amounted to HK\$34,089,600 and there was a net fair value gain of approximately HK\$2,862,000 recognised in the available-for-sale investment revaluation reserve.

All the listed equity securities were disposed in October 2010 with a gain of approximately HK\$7,955,000.

12 LOAN RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest-bearing loan receivable		
– Morgan Strategic Loan (<i>note (i)</i>)	46,500	33,000
Shareholder loan receivables		
– Takenaka Loan (<i>note (ii)</i>)	–	23,576
– 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>158,795</u>	<u>56,576</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 upto 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 further 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 2010, the outstanding amount of the Morgan Strategic Loan was HK\$46,500,000 and the corresponding interest receivable of approximately HK\$2,058,000 (2009: HK\$973,000) was included in interest receivable in the statement of financial position.

- (ii) The Company had a shareholder loan due from Takenaka (the “Takenaka Loan”) of approximately HK\$23,576,000 which was acquired along with the 30% equity interest in Takenaka in prior year. The Takenaka Loan was unsecured and interest-free. During the year, pursuant to the United Crown Shares Swap Agreements, the Takenaka Loan has been swapped with Miden Fair for a shareholder loan with the same amount due by United Crown (the “United Crown Loan”) (note 11(iii)). The United Crown Loan is unsecured, interest-free and repayable on 27 September 2039.

- (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.
- (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.

The loan receivables at the reporting date have good credit quality. Management believes that no impairment allowance is necessary in respect of these loan receivables as there has not been a significant change in credit quality.

13 CASH AND CASH EQUIVALENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cash at banks		
Bank balances	1,741	40,072
Time deposits	<u>65,071</u>	<u>30,002</u>
	66,812	70,074
Cash on hand	3	32
Cash held in securities account of securities companies	<u>14,331</u>	<u>52,290</u>
	<u><u>81,146</u></u>	<u><u>122,396</u></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.

14 SHARE CAPITAL

	2010 <i>HK\$'000</i>	2009 <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 (2009: 6,170,865,753) ordinary shares of HK\$0.01 each	<u>69,794</u>	<u>61,709</u>

Details of the movements in the Company's share capital during the years ended 31 December 2009 and 2010 are as follows:

(a) Shares

	Number of shares in issue	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each						
At 1 January 2009	5,168,735,753	51,687	239,922	25,259	3,456	320,324
Exercise of share options (<i>note (i)</i>)	2,130,000	22	123	(38)	–	107
Issue of shares upon acquisition of available-for-sale investment (<i>note (ii)</i>)	800,000,000	8,000	32,000	–	–	40,000
Conversion of convertible bonds (<i>note (iii)</i>)	200,000,000	2,000	9,142	–	(3,456)	7,686
At 31 December 2009 and 1 January 2010	6,170,865,753	61,709	281,187	25,221	–	368,117
Exercise of share options (<i>note (iv)</i>)	8,520,000	85	495	(154)	–	426
Issue of shares upon acquisition of available-for-sale investment (<i>note (v)</i>)	400,000,000	4,000	16,000	–	–	20,000
Issue of shares for acquisition of a shareholder loan in an investee company (<i>note (vi)</i>)	400,000,000	4,000	16,000	–	–	20,000
Change in fair value of share options arising from extension of exercise period (<i>note (vi)</i>)	–	–	–	3,751	–	3,751
At 31 December 2010	<u>6,979,385,753</u>	<u>69,794</u>	<u>313,682</u>	<u>28,818</u>	<u>–</u>	<u>412,294</u>

Details of the movements in the Company's share capital during the years ended 31 December 2009 and 2010 are as follows:

- (i) During the year ended 31 December 2009, part of the share options granted were exercised for 2,130,000 shares of HK\$0.01 each of the Company at an exercise price of HK\$0.05 per share with gross proceeds of approximately HK\$107,000.
- (ii) On 8 May 2009, the Company entered into an acquisition agreement with Guard Max Limited ("Guard Max"), pursuant to which, among other things, the Company conditionally agreed to purchase from Guard Max 600 shares in the issued share capital of Dooda Innovation Limited (formerly known as Join Oriental Holdings Limited), with voting rights withdrawn for an aggregate consideration of HK\$40 million. 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, 800,000,000 shares of HK\$0.01 each of the Company were allotted and issued as fully paid on 12 November 2009.
- (iii) On 19 November 2007, the Company entered into a subscription agreement with Harvest Rise Investment Limited ("Harvest Rise"), a company wholly and beneficially owned by Mr. Xiang Xin, an executive director and a substantial shareholder of the Company, for the subscription by Harvest Rise of zero coupon convertible bonds of the Company in an aggregate principal amount of HK\$50,000,000 (the "CB") which was convertible into the shares of the Company at a conversion price of HK\$0.05 each. In consideration of Harvest Rise agreeing to subscribe for or procure the subscription of the CB, the Company further issued 800,000,000 unlisted warrants (the "Warrants") to Harvest Rise entitling its subscription of 800,000,000 shares of HK\$0.01 each of the Company at an exercise price of HK\$0.20 per warrant share. The CB and the Warrants were issued on 30 January 2008.

On 13 May 2008, part of the CB amounting to HK\$40,000,000 was converted into 800,000,000 ordinary shares of HK\$0.01 each of the Company at the conversion price of HK\$0.05 per share. On 22 December 2009, the remaining CB amounting to HK\$10,000,000 was converted into 200,000,000 ordinary shares of HK\$0.01 each of the Company at the conversion price of HK\$0.05 per share.

No Warrants have been exercised during the year (2009: Nil) and remained outstanding as at 31 December 2010.

- (iv) During the year, part of the share options granted were exercised for 8,520,000 shares of HK\$0.01 each of the Company at an exercise price of HK\$0.05 per share with gross proceeds of approximately HK\$426,000.
- (v) On 29 March 2010, the Company entered into an agreement with China Seed for the acquisition of 310 Topsun Class B Shares 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.

- (vi) On 12 October 2010, the Company further 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 in the amount of RMB27,500,000 (equivalent to approximately HK\$31,461,000) (the “Topsun Loan”). Part of the consideration of the Topsun Loan of HK\$20 million was satisfied by the issue of 400,000,000 shares of HK\$0.01 each of the Company at an issue price of HK\$0.05 each. Accordingly, 400,000,000 shares of HK\$0.01 each of the Company were allotted, issued and fully paid on 14 October 2010.
- (vii) On 15 October 2010, subject to the approval by the shareholders in the forthcoming annual general meeting, the Board of the Company approved the extension of the exercise period maturing on 17 October 2013 in respect of the outstanding share options granted on 18 October 2007 pursuant to the share option scheme of the Company. As at 15 October 2010, the fair values change of the aforesaid outstanding share options amounted to HK\$3,751,000.

(b) Warrants

The Company had 800,000,000 warrants granted on 27 December 2007 which remained outstanding as at 31 December 2010 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 year ended 31 December 2010 (2009: nil).

15 NET ASSET VALUE PER SHARE

As at 31 December 2010 and 2009, 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 2010 of HK\$392,806,000 (2009: HK\$347,905,000) and 6,979,385,753 (2009: 6,170,865,753) 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 2010, 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\$13,527,000 (after impairment provision of HK\$4,500,000), HK\$15,133,000, HK\$51,355,000 and HK\$20,002,000 respectively.

INVESTMENT PORTFOLIOS

As at 31 December 2010, 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 2010, 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 (including shareholders' loan of HK\$48,719,000 (the "Loan Facilities")) amounted to HK\$68,721,000 and the Company holds 2,410 "B" non-voting shares in Topsun, representing 60.25% 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 6,300 "B" non-voting shares in Aesthetic, representing 63% 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 (formerly known as SNG Hong Kong 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 2010, the Company holds 12,500 “A” ordinary shares and 27,000 “B” ordinary shares in BA, which represented 51.3% interest in the issued share capital of BA. No dividend was received during the year.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2010, the Company had cash and bank balances of approximately HK\$81,146,000. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks and securities houses in Hong Kong.

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 2010. 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 2010, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	480	960
In the second to fifth years, inclusive	<u>–</u>	<u>480</u>
	<u>480</u>	<u>1,440</u>

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.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Capital commitments for acquisition of property, plant and equipment	–	2,729
Commitment on available-for-sale investment	18,193	–
Commitment on undrawn loan facility granted	<u>3,500</u>	<u>7,000</u>
	<u>21,693</u>	<u>9,729</u>

RELATED PARTY TRANSACTIONS

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

	2010 <i>HK\$'000</i>	2009 <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>29</u>	<u>19</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>noted c</i>)	<u>160</u>	<u>160</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 is a director, 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.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Short term employee benefits	660	650
Post-employment benefits	-	-
Equity-settled share option expenses	-	-
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>660</u>	<u>650</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
China Everbright Securities (HK) Limited (“China Everbright”)	<u>300</u>	<u>300</u>

Note:

The Company and China Everbright 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 2010, 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 military and industrial 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 accelerates its pace apparently in investing 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 investment have achieved breakthroughs in realising the military and civil dual-application in real projects.

By investing in the industries of “New Energy”, “New Light”, “New Materials” and “New Media”, our objective in the investment is to form energy conservation solutions integrated with military and civil dual-application technology, such as solar photovoltaic energy, LED lighting, energy conserving materials and energy-saving media terminals, and to introduce innovative products to the market, including solar electric cars, solar energy electronic books and solar energy advertising screens.

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. It possesses a large room for growth and enormous development potential in both civil and military markets.

For “New Light”, the Company invests in Aesthetic Vision Limited (“Aesthetic Vision”), and was also given with preference to make investment in China Opto-Electro Industries Co., Ltd (“COEI”), a wholly-owned subsidiary of CNGC (中國兵器工業集團). Aesthetic Vision’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. Its products are widely used in military production as well as civic purposes.

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”, with key investments in “New Energy”, “New Light” and “New Materials” as aforesaid, the Company plans to further innovate and apply these three new resources industries. The invested company, Blue Angel (H.K.) Limited (“Blue Angel”), mainly engages in 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.

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 environment.

EVENT AFTER THE REPORTING PERIOD

On 17 March 2011, the Company entered into a provisional agreement with an independent third party for disposal of an investment property in Hong Kong, with a carrying amount of HK\$53,000,000 as at 31 December 2010, at a consideration of HK\$57,536,000.

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 2010.

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 2010, 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 2010, the Company had 7 (2009: 9) employees and the total remuneration paid to staff was approximately of HK\$5,683,000 (2009: of approximately HK\$1,816,000) 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 2010 have been agreed by the Company's auditors, Ascenda Cachet CPA Limited ("Cachet"), to the amounts set out in the Company's financial statements for the year ended 31 December 2010. The work performed by Cachet 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 Cachet 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 report, 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 2010.

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, 22 March 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Wong Chak Keung; 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.