

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2021 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 2021 as follows:

RESULTS

Gross sales proceeds of investments for the year ended 31 December 2021 amounted to approximately HK\$544,048,000, while the gross sales proceeds of investments for the year ended 31 December 2020 amounted to approximately HK\$369,878,000.

The net realised loss on disposal of investments at fair value through profit or loss for the year ended 31 December 2021 was approximately HK\$52,751,000 comparing to the net realised gain on disposal of investments at fair value through profit or loss of approximately HK\$15,657,000 for the same period in 2020.

Due to the continuous impact of the global pandemic and the Sino-US trade war etc., the Company recorded a loss attributable to equity shareholders of approximately HK\$33,923,000 for the year ended 31 December 2021, compared to a loss attributable to equity shareholders of approximately HK\$9,813,000 for the same period in 2020. Such loss was mainly come from loss on disposal of investments at fair value through profit or loss.

As at 31 December 2021, the net assets of the Company were approximately HK\$611,002,000 (2020: HK\$653,748,000), with a net asset value per share of approximately HK\$0.05 (2020: HK\$0.05). The decrease of net asset of the Company mainly come from the loss of approximately HK\$33,923,000 attributable to equity shareholders and other comprehensive expense of approximately HK\$8,823,000 to the fair value changes of equity investments at fair value through other comprehensive income.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|------------------------|------------------|
| Gross sales proceeds of investments | | <u>544,048</u> | 369,878 |
| REVENUE | 4 | (26,727) | (3,643) |
| Other income | 4 | 2 | 191 |
| Administrative and other operating expenses | | (7,109) | (6,295) |
| Finance costs | | (89) | (66) |
| LOSS BEFORE TAX | 5 | (33,923) | (9,813) |
| Income tax expense | 6 | – | – |
| LOSS FOR THE YEAR | | (33,923) | (9,813) |
| OTHER COMPREHENSIVE EXPENSE | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Fair value changes of equity investments at fair value through other comprehensive income | | <u>(8,823)</u> | <u>(37,008)</u> |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | <u>(42,746)</u> | <u>(46,821)</u> |
| LOSS PER SHARE | 8 | HK cents | HK cents |
| – Basic | | <u>(0.265)</u> | <u>(0.077)</u> |
| – Diluted | | <u>N/A</u> | <u>N/A</u> |

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | – | – |
| Right-of-use assets | | 1,340 | 2,234 |
| Equity investments at fair value through other comprehensive income | 9 | 267,363 | 276,186 |
| Total non-current assets | | 268,703 | 278,420 |
| CURRENT ASSETS | | | |
| Investments at fair value through profit or loss | 10 | 143,157 | 214,558 |
| Prepayments, deposits and other receivables | | 187,441 | 146,551 |
| Cash and bank balances | 11 | 13,381 | 16,816 |
| Total current assets | | 343,979 | 377,925 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | | 290 | 336 |
| Lease liabilities | | 915 | 871 |
| Total current liabilities | | 1,205 | 1,207 |
| NET CURRENT ASSETS | | 342,774 | 376,718 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 611,477 | 655,138 |
| NON-CURRENT LIABILITY | | | |
| Lease liabilities | | 475 | 1,390 |
| NET ASSETS | | 611,002 | 653,748 |
| EQUITY | | | |
| Share capital | 12 | 128,016 | 128,016 |
| Reserves | | 482,986 | 525,732 |
| TOTAL EQUITY | | 611,002 | 653,748 |

Notes:

1. CORPORATE INFORMATION

China Innovation Investment Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Sinclair Group Centre, 3rd Floor Genesis Building, Genesis Close P.O. Box 498, George Town, Grand Cayman KY1-1106, Cayman Islands. The principal place of business is situated at 26/F, 9 Des Voeux Road West, Sheung Wan, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 August 2002.

The Company’s principal activity has not changed during the year and is principally engaged in investments. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”).

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

The HKICPA has issued a number of revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2021. The Company has adopted the following revised standards for the first time for the current year’s financial statements:

Amendments to HKFRS 9, Interest Rate Benchmark Reform – Phase 2
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

The nature and impact of the amendments are described below.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary reliefs to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.

These amendments have no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

New and amendments to HKFRSs in issue but not yet effective

The Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective and relevant to the Company:

| | |
|---|--|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ³ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 cycle ² |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 April 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

3 OPERATING SEGMENT INFORMATION

The Company's operating segment is investments which comprise the investing in listed and unlisted companies in order to achieve medium-term capital appreciation. Since this is the only one operating segment of the Company which its revenue and non-current assets are entirely contributed from the investments, no further analysis thereof is presented.

Geographical information

The Company's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operations.

4. REVENUE AND OTHER INCOME

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue | | |
| Bank interest income | 25 | 513 |
| Income from structured products | 14,062 | 7,585 |
| Dividend income from equity securities listed in Hong Kong | 2,703 | 327 |
| Net realised (losses) gains on disposal of investments at fair value through profit or loss | (52,751) | 15,657 |
| Unrealised holding gains (losses) from investments at fair value through profit or loss | 9,234 | (27,725) |
| | <u>(26,727)</u> | <u>(3,643)</u> |
| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
| Other income | | |
| Government grants (note) | – | 189 |
| Sundry income | 2 | 2 |
| | <u>2</u> | <u>191</u> |

Note: During the year ended 31 December 2020, the Company received and recognised government grants of HK\$189,000 in accordance with the Employment Support Scheme provided by the Hong Kong government. The Company did not have any unfulfilled conditions relating to the grant during the year.

5. LOSS BEFORE TAX

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditor's remuneration | 290 | 282 |
| Investment management fee | 480 | 480 |
| Employee benefits expenses (including directors' remuneration): | | |
| Wages, salaries and welfare | 1,378 | 1,347 |
| Pension scheme contributions | 35 | 37 |
| Share-based payments | – | 314 |
| Total employee benefits expenses | <u>1,413</u> | 1,698 |
| Depreciation of right-of-use assets | 894 | 909 |
| Net exchange gains | <u>(46)</u> | (448) |

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at a rate of 16.5% (2020: 16.5%) for the years ended 31 December 2021 and 2020. No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2021 and 2020 since the Company has no assessable profit in Hong Kong for both years.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss before tax | <u>(33,923)</u> | (9,813) |
| Tax at the statutory tax rate of 16.5% (2020: 16.5%) | (5,597) | (1,619) |
| Income not subject to tax | (4) | (116) |
| Tax effect of tax losses not recognised | <u>5,601</u> | 1,735 |
| Income tax expense | <u>–</u> | – |

As at 31 December 2021, the Company had unused tax losses of approximately HK\$78,558,000 (2020: HK\$44,476,000) 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 2021 and 2020.

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$33,923,000 (2020: loss of approximately HK\$9,813,000) and the weighted average number of ordinary shares of 12,801,578,629 (2020: 12,801,578,629) in issue during the year.

Diluted loss per share

The computation of diluted loss per share does not assume the exercise the Company's share options because the exercise price of those options was higher than the average market price for shares for 2021 and 2020. Since the Company has no other dilutive potential ordinary share for both years, no dilutive loss per share has been presented.

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance represented the Company's unlisted equity securities designated by the Company as at fair value through other comprehensive income.

| | 2021 | 2020 |
|----------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Unlisted equity securities | 267,363 | 276,186 |

Particulars of the Company's equity investments at fair value through other comprehensive income as at 31 December 2021 disclosed pursuant to the Chapter 21 of the Listing Rules are as follows:

| Name of investee company | Place of incorporation | Issued and fully paid shares held by the Company | Number of shares issued in investee company | Proportion investee's capital owned | Principal activities | 2021 | | | 2020 | | |
|---|--|--|---|-------------------------------------|-------------------------------|---|-----------------|--|--|-----------------|----------------|
| | | | | | | Accumulated fair value adjustment since | | Dividend income received during the year | Net assets attributable to the Company | Carrying Amount | |
| | | | | | | Cost | acquisition | | | | Fair value |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | | |
| United Crown Future Company Limited ("United Overseas") | The British Virgin Islands (the "BVI") | 1,621 class B ordinary shares* | 1,200 class A ordinary shares and 1,877 class B ordinary shares | 52.68% | Investment holding (note i) | 78,700 | (24,341) | 54,359 | - (2020: nil) | 109,451 | 60,467 |
| Aesthetic Vision Limited ("Aesthetic") | Hong Kong | 8,500 class B ordinary shares* | 1,000 class A ordinary shares and 9,000 class B ordinary shares | 85.00% | Investment holding (note ii) | 78,349 | 3,256 | 81,605 | - (2020: nil) | 123,055 | 71,142 |
| Topsun Creation Limited ("Topsun") | Hong Kong | 2,710 class B ordinary shares* | 690 class A ordinary shares and 3,310 class B ordinary shares | 67.75% | Investment holding (note iii) | 77,925 | (32,689) | 45,236 | - (2020: nil) | 54,270 | 46,160 |
| Grand Far Sky Limited ("Grand Far Sky") | Hong Kong | 5,400 class B ordinary shares* | 2,500 class A ordinary shares and 7,000 class B ordinary shares | 56.84% | Investment holding (note iv) | 64,390 | (2,878) | 61,512 | - (2020: nil) | 81,127 | 73,986 |
| FengTian Capital Limited ("FengTian") | Hong Kong | 2,200 ordinary shares | 8,800 ordinary shares | 25.00% | Investment holding (note v) | 24,431 | 220 | 24,651 | - (2020: nil) | 27,278 | 24,431 |
| | | | | | | <u>323,795</u> | <u>(56,432)</u> | <u>267,363</u> | | <u>395,181</u> | <u>276,186</u> |

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

These companies are not treated as associates or subsidiaries because the Company is not in a position to control or exercise any significant influence over the financial and operating policies of these companies or to participate in their operations. The investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss. Therefore, the unlisted equity investments of the Company are measured at fair value through other comprehensive income for financial reporting purposes. The fair value of the unlisted equity investments of the Company is determined by independent professional valuer, CHFT Advisory and Appraisal Limited. The valuations are based on market approach and cost approach.

Background information of the investee companies

Notes:

(i) United Overseas

United Overseas is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas is the direct 100% equity interest in a company incorporated in the PRC, of which is principally engaged in development and sales of building decoration materials as well as home decoration products. The principal activities and assets in United Overseas' group has not been changed during the years 2021 and 2020.

(ii) Aesthetic

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the direct 100% equity interest in a company established in the PRC, which is principally engaged in development and sales of LED lighting products. Aesthetic's major product is LED lighting. It possesses of LED ergonomics technology and the LED lighting products developed are energy-saving, environmentally friendly, long-lived and small in size. The principal activities and assets in Aesthetic's group has not been changed during the years 2021 and 2020.

(iii) Topsun

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Topsun is the direct 100% equity interest in a company established in the PRC, which is principally engaged in development and sales of solar cell products. The principal activities and assets in Topsun's group has not been changed during the years 2021 and 2020.

(iv) Grand Far Sky

Grand Far Sky is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Grand Far Sky is the direct 100% equity interest in a company established in the PRC, which is principally engaged in the asset management. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2021 and 2020.

(v) *FengTian*

FengTian is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of FengTian is the direct 88% equity interest in a company established in the PRC, which is principally engaged in development and sales of health communication products. The principal activities and assets in FengTian's group has not been changed during the years 2021 and 2020.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Investments at fair value through profit or loss | | |
| Equity securities listed in Hong Kong | 143,157 | 54,757 |
| Derivatives, at fair value | – | 6,234 |
| Structured products, at fair value | – | 153,567 |
| | 143,157 | 214,558 |
| Current portion | (143,157) | (214,558) |
| Non-current portion | – | – |

The fair values of the equity securities listed in Hong Kong are based on current bid prices.

Particulars of the Company's principal equity securities listed in Hong Kong as at 31 December 2021 and 2020 disclosed pursuant to the Chapter 21 of the Listing Rules are as follows:

| Listed equity securities | Note | Number of shares held | Proportion of investee's capital owned | Cost <i>HK\$'000</i> | Market value <i>HK\$'000</i> | Accumulated | Unrealised | Dividend | Net assets |
|----------------------------|------|-----------------------|--|-------------------------|---------------------------------|---|--|--|--|
| | | | | | | holding gain (loss) as at 31 December 2020 <i>HK\$'000</i> | holding gain (loss) during the year <i>HK\$'000</i> | income received during the year <i>HK\$'000</i> | attributable to the investments <i>HK\$'000</i> |
| At 31 December 2021 | | | | | | | | | |
| Ailbaba Group Holding Ltd | 1 | 689,000 | less than 0.01% | 79,166 | 81,922 | – | 2,756 | – | 43,599 |
| HSBC Holdings plc | 2 | 1,060,000 | less than 0.01% | 64,427 | 49,714 | (21,232) | 6,519 | 1,805 | 82,591 |

| Listed equity securities | Note | Number of shares held | Proportion of investee's capital owned | Cost HK\$'000 | Market value HK\$'000 | Accumulated | Unrealised | Dividend | Net assets |
|----------------------------|------|-----------------------|--|------------------|--------------------------|--|---|---|---|
| | | | | | | holding gain (loss) as at 31 December 2019 HK\$'000 | holding gain (loss) during the year HK\$'000 | income received during the year HK\$'000 | attributable to the investments HK\$'000 |
| At 31 December 2020 | | | | | | | | | |
| HSBC Holdings plc | 2 | 1,060,000 | less than 0.01% | 64,427 | 43,195 | 74 | (21,306) | - | 81,879 |

- Alibaba Group Holding Ltd was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 9988). Its principal activities are to provide the technology infrastructure and marketing reach to help merchants, brands, retailers and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way. At 31 December 2021, the unaudited consolidated net assets was approximately USD174,112 million (equivalent to HK\$1,358,074 million).
- HSBC Holdings Plc was incorporated in the England and its shares are listed on the Stock Exchange (stock code: 0005). Its principal activities are retail banking and wealth management, commercial banking, global banking and markets, and global private banking. At 31 December 2021, the audited consolidated net assets was approximately USD206,777 million (equivalent to HK\$1,612,861 million).

Derivatives as at 31 December 2020 represented investments linked to certain income funds which were held in terms of cash settlement upon the maturity date of the relevant contracts in 2021. They were redeemed during the year.

Structured products as at 31 December 2020 represented investments in equity-linked notes which were linked to a basket of indices, including FTSE 100 Index, Hang Seng Index and S&P 500 Index and were matured in 2021. They were redeemed during the year.

The Company's derivatives and structured products as at 31 December 2020 were measured at fair value for financial reporting purposes. The fair value of the derivatives and structured products of the Company were determined by independent professional valuer, CHFT Advisory and Appraisal Limited. The valuations were based on Monte Carlo method and discounted cash flow method.

11. CASH AND BANK BALANCES

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

At the end of the reporting period, the bank and cash balances of the Company denominated in USD was approximately USD1,000,000 (2020: USD1,725,000) (equivalent to approximately HK\$7,799,000 (2020: HK\$13,372,000)).

12. SHARE CAPITAL

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Authorised: | | |
| 100,000,000,000 ordinary shares of HK\$0.01 each (2020: 100,000,000,000 ordinary shares of HK\$0.01 each) | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | |
| 12,801,578,629 ordinary shares of HK\$0.01 each (2020: 12,801,578,629 ordinary shares of HK\$0.01 each) | <u>128,016</u> | <u>128,016</u> |

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

| | Number of shares '000 | Amount <i>HK\$'000</i> |
|---|-----------------------------|---------------------------|
| At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 | <u>12,801,579</u> | <u>128,016</u> |

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 2021 and 2020.

The externally imposed capital requirements is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2021.

13. NET ASSET VALUE PER SHARE

As at 31 December 2021 and 2020, the net asset value per share of the Company was HK\$0.05 and HK\$0.05, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2021 of approximately HK\$611,002,000 (2020: HK\$653,748,000) and 12,801,578,629 (2020: 12,801,578,629) ordinary shares in issue at the end of each reporting period.

BUSINESS REVIEW

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

Investing in unlisted companies

As at 31 December 2021, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future Company Limited, FengTian Capital Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$45,236,000, HK\$81,605,000, HK\$54,359,000, HK\$24,651,000 and HK\$61,512,000 respectively.

Investing in listed companies

The Company also invest listed companies in Hong Kong on short terms. For the year ended 31 December 2021, the gross sales proceeds of investments is approximately HK\$544,048,000 (2020: HK\$369,878,000).

INVESTMENT PORTFOLIOS

As at 31 December 2021, the Company holds certain listed equity securities and derivatives and structured products.

As at 31 December 2021, the Company holds the following unlisted investments:

- (i) Topsun Creation Limited ("Topsun") was incorporated in Hong Kong and principally engaged in investment holding. Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity was in relation to solar cell products as its major products. The Company holds 2,710 "B" non-voting shares in Topsun, representing 67.75% interest in the issued share capital of Topsun. No dividend was received during the year.
- (ii) Aesthetic Vision Limited ("Aesthetic") was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiary incorporated in the PRC. Aesthetic possesses LED ergonomics technology and the LED lighting products developed by it have remarkable characteristics such as energy saving, environmental protection, long life and small size. The Company holds 8,500 "B" non-voting shares in Aesthetic, representing 85% interest in the issued share capital of Aesthetic. No dividend was received during the year.

- (iii) United Crown Future Company Limited (“United Overseas”) was incorporated in British Virgin Islands and principally engaged in investment holding. United Overseas started its business from building decoration materials, as focusing on four core product concepts of green, health, environmental protection and convenience, it has gradually expanded to all kinds of essential home decoration products. The Company holds 1,621 “B” non-voting shares in United Overseas, representing 52.68% interest in the issued share capital of United Overseas. No dividend was received during the year.
- (iv) FengTian Capital Limited (“FengTian”) was incorporated in Hong Kong and principally engaged in investment holding. The principal assets of FengTian include its 88% of equity shares of its subsidiary incorporated in the PRC with 100% equity interests. FengTian principally engaged in development and sales of health communication products. The Company holds 2,200 voting shares in FengTian, representing 25% interest in the issued share capital of FengTian. No dividend was received during the year.
- (v) Grand Far Sky Limited (“Grand Far Sky”) was incorporated in Hong Kong and principally engaged in investment holding. Grand Far Sky holds a 100% interest in a subsidiary incorporated in the PRC, of which the principal activity is asset management. The Company holds 5,400 “B” non-voting shares in Grand Far Sky, which represented 56.84% interest in the issued share capital of Grand Far Sky. No dividend was received during the year. Grand Far Sky purchased a full-storey office property at the central area of Shanghai, PRC during the year.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2021, the Company had cash and bank balances of approximately HK\$13,381,000, including bank and cash balances of the Company denominated in USD, approximately USD1,000,000 (equivalent to approximately HK\$7,799,000). All the cash and bank balances were mainly denominated in US dollars and Hong Kong dollars.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (ratio of net debt to shareholders’ funds) as at 31 December 2021. 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 US dollars 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.

RELATED PARTY TRANSACTIONS

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

| | <i>Notes</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Investment management fee paid to China Everbright Securities (HK) Limited ("CES") | <i>(a)</i> | – | 440 |
| Investment management fee paid to Evergrande Securities (Hong Kong) Limited ("ESHK") | <i>(b)</i> | 480 | 40 |
| | | 480 | 480 |
| Rental paid to New Era Group (China) Limited ("NEG") | <i>(c)</i> | 960 | 960 |
| Rental deposit paid to NEG | <i>(c)</i> | 160 | 160 |

Notes:

- (a) The Company entered into an investment management agreement with CES from 2003 to 2020. CES is regarded as a related party of the Company as the directors are of the view that CES is providing key management personnel services to the Company through its investment management services.
- (b) The Company entered into an investment management agreement with ESHK since 2020. ESHK is regarded as a related party of the Company as the directors are of the view that ESHK is providing key management personnel services to the Company through its investment management services.
- (c) NEG, is a company of which Mr. Xiang Xin, a director of the Company has control.

(ii) Compensation of key management personnel:

| | 2021 | 2020 |
|------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Short term employee benefits | 628 | 568 |
| Share-based payments | – | 314 |
| | 628 | 882 |

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, 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 on investment business. We invest in listed and unlisted companies with high quality to strive for medium-term gains from capital appreciation in the course of securitisation of corporate assets invested, and apply the same as our key operation strategy and income source.

Leveraging on our experience and well-connected network in the PRC over years, the Company invested in energy storage products, lighting products, energy-saving materials, health communications and asset management respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the five industries of “New Energy”, “New Light”, “New Materials”, “New Health” and “New Capital” in real projects.

For “New Energy”, the Company invests in Topsun Creation Limited (“Topsun”), which adopts solar cell technology as its own core to develop the strategy of “Production – Research – Preliminary Research” for the research and manufacturing of solar cell application products.

For “New Light”, the Company invests in Aesthetic Vision Limited (“Aesthetic”). Aesthetic’s major product is LED lighting. It possesses of LED ergonomics technology and the LED lighting products developed are energy-saving, environmentally friendly, long-lived and small in size.

For “New Materials”, the Company invests in United Crown Future Company Limited (“United Overseas”). United Overseas’ business started from building decoration materials, as focusing on four core product concepts of green, health, environmental protection and convenience, and gradually expanded to all kinds of essential home decoration products.

For “New Health”, the Company invested in FengTian Capital Limited (“FengTian”). Fengtian is principally engaged in development and sales of health communication products.

For “New Capital”, the Company invested in Grand Far Sky Limited (“Grand Far Sky”). Grand Far Sky to enterprise increasing the market value of various mainly provides solutions on obtain management benefits. Grand Far Sky purchased a full-storey office property at the central area of Shanghai, PRC during the year.

Being dedicated to outline a completed industry chain of energy conservation and to contribute its effort to green low-carbon living style, the Company is actively seeking more lucrative investment opportunities related to this sector.

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 2021.

CAPITAL STRUCTURE

For movement of capital structure of the Company, please refer to note 12 to the results announcement.

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

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

EVENT AFTER THE REPORTING PERIOD

The rise in new infections of COVID-19 since the second half of 2021 leading to more travel restrictions and lockdowns has brought additional uncertainties in the global macroeconomic situation which may affect the Company's financial performance. However, since the outbreak is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Company will closely monitor the development of the outbreak and assess its impact on the financial position and operating results of the Company. The Company does not have other significant subsequent events.

CORPORATE GOVERNANCE REPORT

The Board is committed to establish and maintain high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders. The Company devotes to best practice on corporate governance, and to the extent practicable, comply with the relevant requirements under the Hong Kong Companies Ordinance, the Hong Kong Securities and Futures Ordinance, the Listing Rules and the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviations as stated below:

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

During the year 2021, Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

EMPLOYEE INFORMATION

As at 31 December 2021, the Company had 27 (2020: 27) staff, including full time and part-time persons, The total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$1,413,000 (2020: HK\$1,698,000). The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions and discretionary bonus. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

AUDITORS

The figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditors, McMillian Woods (Hong Kong) CPA Limited, to the amounts set out in the Company's audited financial statements for the year ended 31 December 2021. The work performed by McMillian Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or no assurance has been expressed by McMillian Woods (Hong Kong) CPA Limited on the preliminary announcement.

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

PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, 25 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Xiang Xin (Chairman) and Mr. Chan Cheong Yee; the non-executive Director of the Company is Ms. Chi Yee Shan, Esa; the independent non-executive Directors of the Company are Ms. An Jing, Ms. Zhou Zan and Mr. Zhang, Yu Clement. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.