



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)

2007 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 2007 are as follows:

RESULTS

Turnover for the year ended 31 December 2007 amounted to HK\$55,670,795, a sharp increase from HK\$1,304,530 as restated for the year ended 31 December 2006. The increase was attributable to the significant growth in the sales of investments held for trading especially in the second half of the year.

Loss attributable to shareholders for the year amounted to HK\$5,088,915, representing a 328.7% increase from the loss attributable to shareholders of HK\$1,187,183 for the year ended 31 December 2006. The increase in loss for the year is mainly due to share-based payment transactions of HK\$5,536,800 measured at fair value on the date of granting the share option in the year as incentives and rewards to eligible participants including the Directors to contribute to the success of the Company's operations.

INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK\$	2006 HK\$ (restated)
Turnover	2	55,670,795	1,304,530
Bank interest income		966,014	363,849
Realised and unrealised gain on financial assets at fair value through profit or loss		2,971,269	64,192
Investment manager's fee		(155,139)	(68,639)
Directors' fees		(46,806)	(53,096)
Salaries and allowance		(186,581)	–
Equity-settled share options expenses		(5,536,800)	–
Other operating expenses		(3,100,872)	(1,493,489)
Loss before taxation		(5,088,915)	(1,187,183)
Income tax expense	3	–	–
Loss attributable to shareholders		(5,088,915)	(1,187,183)
Basic loss per share (HK cents)	5	(0.56)	(0.53)

BALANCE SHEET*As at 31 December 2007*

	Note	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS			
Available-for-sale investments		13,500,225	13,500,225
Deposit for acquisition of available-for-sale investment		1,000,000	–
		14,500,225	13,500,225
CURRENT ASSETS			
Trade and other receivables	6	8,925,202	–
Deposits and prepayment		566,657	344,227
Financial assets at fair value through profit or loss	7	29,088,000	–
Cash and cash equivalents	8	148,880,855	15,718,102
		187,460,714	16,062,329
CURRENT LIABILITIES			
Accruals		1,600,971	434,577
NET CURRENT ASSETS			
		185,859,743	15,627,752
TOTAL ASSETS LESS CURRENT LIABILITIES			
		200,359,968	29,127,977
CAPITAL AND RESERVES			
Share capital	9	41,696,758	2,999,160
Reserves		158,663,210	26,128,817
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
		200,359,968	29,127,977
NET ASSET VALUE PER SHARE			
	10	HK\$0.05	HK\$0.10

Notes:

1 ADOPTION OF NEW AND REVISED STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Company's financial instruments and the nature and extend of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ⁵
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ⁵
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasure share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³
HK(IFRIC) – INT 13	Customer loyalty programmes ⁴
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

2 TURNOVER

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

	2007 HK\$	2006 HK\$ (restated)
Bank interest income	966,014	363,849
Sales proceeds on financial assets at fair value through profit or loss	54,704,781	940,681
	55,670,795	1,304,530

No segment information is presented as the Company has only one business activity, namely investment holding, which is principally operating in Hong Kong and the PRC.

3 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the financial statements as the Company has no assessable profit for both years.
- (b) The taxation on the Company's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong, the principal place of Company's operations, as follows:

	2007 HK\$	2006 <i>HK\$</i>
Loss before taxation	(5,088,915)	(1,187,183)
Tax at the domestic income tax rate of 17.5%	(890,560)	(207,757)
Tax effect of non-taxable income	(128,666)	(63,674)
Tax effect of non-deductible expense	985,145	–
Deferred tax assets not recognised	34,081	271,431
Income tax expense for the year	–	–

As at 31 December 2007, the Company had unused tax losses of approximately HK\$12,305,000 (2006: HK\$12,111,000) 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 balance sheet date.

4 DIVIDENDS

No dividend has been paid or declared by the Company during the year (2006: nil).

5 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$5,088,915 (2006: HK\$1,187,183) and the weighted average number of 904,702,921 (2006: 225,416,318) ordinary shares in issue during the year.

No diluted loss per share has been presented by the Company for the years ended 31 December 2007 and 2006 as the exercise of share options would result a decrease in loss per share.

6 TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables at the balance sheet date, based on the invoice date, is as follows:

	2007 HK\$	2006 <i>HK\$</i>
Trade receivables		
0 to 30 days	8,922,270	–
	8,922,270	–
Interest receivables	2,932	–
	8,925,202	–

Trade receivables related to unsettled transactions for securities trading of the Company. As at 31 December 2007, there was no trade receivables past due but not impaired.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK\$	2006 <i>HK\$</i>
Equity-linked notes	29,088,000	–

Terms of the equity linked notes outstanding as at 31 December 2007 are as follow :

Notional amount	HK\$30,000,000
Maturity	23 January 2008
Range of coupon rates	0% to 25.89%

The equity-linked notes will be redeemed either by cash or by delivering the relevant number of shares as set out in the relevant notes.

The equity-linked notes are measured at fair value. Their fair values were determined based on the quoted prices provided by the financial institutions at the balance sheet date.

8 CASH AND CASH EQUIVALENTS

	2007 HK\$	2006 <i>HK\$</i>
Cash at banks	20,010,268	15,108,168
Cash on hand	500	–
Cash held in the securities account of a securities company	128,870,087	609,934
	148,880,855	15,718,102

Cash at banks and held in the securities account of a securities company earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for varying period of between 1 day and 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.

9 SHARE CAPITAL

Authorised and issued share capital	2007		2006	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January	2,000,000,000	20,000,000	2,000,000,000	20,000,000
Increase during the year	3,000,000,000	30,000,000	–	–
At 31 December	5,000,000,000	50,000,000	2,000,000,000	20,000,000
Issued and fully paid:				
At 1 January	299,916,000	2,999,160	199,944,000	1,999,440
Issue of rights shares	3,633,552,000	36,335,520	99,972,000	999,720
Issue of shares upon exercise of warrants	59,983,200	599,832	–	–
Issue of shares upon exercise of share options	176,224,553	1,762,246	–	–
At 31 December	4,169,675,753	41,696,758	299,916,000	2,999,160

10 NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2007 of HK\$200,359,968 (2006: HK\$29,127,977) and 4,169,675,753 (2006: 299,916,000) ordinary shares in issue at that date.

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 Listing Rules.

For the year under review, the Company continued to hold investments in two unlisted companies namely Jinan Lugu (HK) Technology Development Limited and SNG Hong Kong Limited which amounting to total cost and carrying value of approximately HK\$18.0 million and HK\$13.5 million respectively.

INVESTMENT PORTFOLIOS

For the year under review, the Company continues to hold the following investments:

Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2007, it indirectly held 59.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 陶瓷微電路基板·微電路模塊·陶瓷微電子元(組)件. The Company holds 250 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu. The Company did not receive any dividend from this investment during the year.

SNG Hong Kong Limited ("SNG") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2007, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片. The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. The Company did not receive any dividend from SNG during the year.

In addition, as at 31 December 2007, a deposit of HK\$1 million had been paid by the Company to purchase (i) 30% of the issued share capital and (ii) the shareholders' loan in the amount of US\$3,022,500 of Takenaka Investment Company Limited ("Takenaka Investment"), a company incorporated in the British Virgin Islands, for an aggregate consideration of HK\$38.70 million. Takenaka Investment is an investment holding company and its principal assets mainly comprises its 65% indirect equity interest in Zhengjiang Fujieda Copper Foil Company Limited, a sino-foreign joint venture company established in the PRC with limited liability and principally engaged in the manufacture and sale of copper foil materials for both civil and military uses. The acquisition was subsequently completed in January 2008 by further cash payment of HK\$10.61 million and the remaining balance of HK\$27.09 million by the issue of the consideration shares of the Company at the issue price of HK\$0.15.

As at 31 December 2007, the Company also held equity-linked notes at the fair value of HK\$29,088,000. The equity-linked notes were subsequently redeemed by a financial institution by delivering the relevant number of underlying listed shares to the Company in January 2008.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2007, the Company had cash and bank balances of approximately HK\$149 million. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks and a securities house 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 2007. 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.

PROSPECTS

Looking forward, with the expectation that the economic environment will continually improve in Hong Kong and Mainland China in the long run, the Company will continue to explore the investment opportunities to achieve medium-term capital appreciation.

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.

FOREIGN CURRENCY FLUCTUATION

The Company mainly operates its business transactions in Hong Kong dollars and thus is not exposed to foreign currency risk. No hedging or other alternatives have been implemented.

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2007, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

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 2007 and up to the date of this announcement, the Company has complied with the code provisions in the Code, save for deviation from Codes A4.1.

- 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.

REVIEW OF ACCOUNTS

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 2007.

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.

COMPARATIVE FIGURE

The comparative figure of the turnover in 2006 has been restated to conform with current year presentation.

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

Hong Kong, 9 April 2008

As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin (Chief Executive Officer), Mr. Chan Cheong Yee and Mr. Wong Chak Keung; the Non-executive Directors are Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul; the Independent Non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.