



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)

INTERIM RESULTS ANNOUNCEMENT

RESULTS

The board of directors (the “Board”) of China Innovation Investment Limited (the “Company”) are pleased to announce the unaudited results of the Company for the six months ended 30 June 2008 with comparative figures for the corresponding period of 2007 as follows:

CONDENSED INCOME STATEMENT

		Six months ended 30 June	
		2008 (Unaudited) HK\$	2007 (unaudited) HK\$
	Notes		
Turnover	3	198,888,130	489,055
Interest income		517,401	239,763
Dividend income		394,320	–
Realised and unrealised gain and loss on financial assets at fair value through profit or loss		(2,091,799)	167,699
Investment manager’s fee		(150,000)	(39,249)
Directors’ emoluments		(17,514)	(25,000)
Equity-settled share option expenses		(22,951,800)	–
Other operating expenses	4	(1,848,888)	(707,464)
Finance cost	5	(1,142,456)	–
Loss before taxation		(27,290,736)	(364,251)
Taxation	6	–	–
Loss attributable to shareholders		(27,290,736)	(364,251)
Loss per share			
– Basic	8	(0.60) cents	(0.12) cents

CONDENSED BALANCE SHEET

		30 June 2008 (Unaudited) HK\$	31 December 2007 (Audited) HK\$
Non-current assets			
Available-for-sale investments	9	52,200,225	13,500,225
Deposit for acquisition of available-for-sale investment		–	1,000,000
		52,200,225	14,500,225
Current assets			
Trade and other receivables		21,801	8,925,202
Deposits and prepayment		366,604	566,657
Financial assets at fair value through profit or loss	10	105,219,220	29,088,000
Cash and cash equivalents	11	117,793,640	148,880,855
		223,401,265	187,460,714
Current liabilities			
Accruals		508,691	1,600,971
Net current assets		222,892,574	185,859,743
Total assets less current liabilities		275,092,799	200,359,968
Non-current liabilities			
Convertible bonds	12	5,043,868	–
Total assets less liabilities		270,048,931	200,359,968
Capital and reserves			
Share capital	13	51,687,358	41,696,758
Reserves		218,361,573	158,663,210
Total equity attributable to equity holders of the Company		270,048,931	200,359,968
Net asset value per share	14	HK\$0.05	HK\$0.05

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands and the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

The Company is an investment holding company. 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").

These condensed interim financial statements ("Interim Financial Statements") are presented in Hong Kong dollars ("HK\$") which is the Company's functional currency and presentation currency. These Interim Financial Statements have been approved for issue by the Board of Directors on 26 September 2008.

2 Basis of preparation and accounting policies

These unaudited Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These Interim Financial Statements should be read in conjunction with the 2007 annual report.

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2007 annual report. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

In the current period, the Company has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”), issued by the HKICPA, which are effective for the Company’s accounting periods beginning on 1 January 2008.

HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
HK(IFRIC)-Int 14	HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction

The application of these new HKFRSs did not have any material impact on how the financial statements of the Company are prepared and presented for the current or prior accounting period.

The Company has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Company.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and Separated Financial Statements ³
HKAS 32 & 1(Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ²
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual period beginning on or after 1 July 2009

⁴ Effective for annual period beginning on or after 1 October 2008

3 Turnover

	Six months ended 30 June	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Interest income	517,401	239,763
Dividend income – listed investment	394,320	–
Sales proceeds of financial assets at fair value through profit or loss	197,976,409	249,292
	198,888,130	489,055

The comparative figures were restated to conform with current period presentation.

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.

4 Other operating expenses

	Six months ended 30 June	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Other operating expenses include the following:		
Legal and professional fee	77,450	88,179
License fee	306,000	306,000
Listing fee	232,236	72,500

5 Finance Cost

	Six months ended 30 June	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Interest on convertible bonds	1,142,456	–

6 Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Company has no assessable profit for the period (six months ended 30 June 2007: Nil).

7 Dividend

The directors resolved not to pay an interim dividend for the six months ended 30 June 2008.

8 Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$27,290,736 (2007: HK\$364,251) and the weighted average number of 4,573,686,599 (2007: 299,916,000) shares in issue during the period.

No diluted loss per share was presented for both periods as the impact of the exercise of the share options and conversion of convertible bond is anti-dilutive.

9 Available-for-sale investments

	30 June 2008 (Unaudited) HK\$	31 December 2007 (Audited) HK\$
Unlisted equity securities	52,200,225	13,500,225

10 Financial assets at fair value through profit or loss

	30 June 2008 (Unaudited) HK\$	31 December 2007 (Audited) HK\$
Hong Kong listed equity investments, at market value	55,235,220	–
Equity-linked notes, at fair value	–	29,088,000
Structured deposit, at fair value	49,984,000	–
	105,219,220	29,088,000

Structured deposit represented currency (USD/RMB) linked capital protected investments with principal amount of USD6,400,000 with maturity date on 22 June 2009.

11 Cash and cash equivalents

	2008 (Unaudited) HK\$	2007 (Audited) HK\$
Cash at banks	116,643,547	20,010,268
Cash on hand	500	500
Cash held in the account of securities companies	1,149,593	128,870,087
	117,793,640	148,880,855

12 Convertible bonds

On 30 January 2008, the Company issued zero-coupon convertible bonds due on 29 January 2013 in the aggregate principal amount of HK\$50,000,000 with a conversion price of HK\$0.05 per ordinary share of the Company.

The fair values of the liability component and the equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component, included under non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, is included in shareholders' equity under convertible bonds equity reserve.

The convertible bonds recognised in the balance sheet are calculated as follows:

	(Unaudited) HK\$
Face value of convertible bonds issued on 30 January 2008	50,000,000
Issuing expenses	(83,710)
Equity component	(26,281,377)
Liability component on initial recognition on 30 January 2008	23,634,913
Interest expenses	1,142,456
Converted into ordinary shares	(19,733,501)
Liability component at 30 June 2008	5,043,868

During the period, convertible bonds with a face value of HK\$40,000,000 were converted into 800,000,000 ordinary shares of the Company at a conversion price of HK\$ 0.05.

The fair value of the liability component of the convertible bonds as at 30 June 2008 amounted to HK\$5,043,868. Interest on the bond is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible bond to the liability component of the convertible bond.

13 Share capital

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2008	5,000,000,000	50,000,000
Increase during the period	10,000,000,000	100,000,000
At 30 June 2008	15,000,000,000	150,000,000
Issued and fully paid:		
At 1 January 2008	4,169,675,753	41,696,758
Issue of shares upon		
– exercise of share options	18,460,000	184,600
– acquisition of investment	180,600,000	1,806,000
– conversion of convertible bonds	800,000,000	8,000,000
At 30 June 2008	5,168,735,753	51,687,358

- (i) Pursuant to ordinary resolution passed on 21 January 2008, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$150,000,000 by the creation of additional 10,000,000,000 shares of HK\$0.01 each.
- (ii) During the period, part of the share options granted were exercised for 18,460,000 shares of HK\$0.01 each at exercise price per share of HK\$0.05 which raised gross proceeds of approximately HK\$1 million.
- (iii) On 15 December 2007, the Company entered into an acquisition agreement with Mr. Guo Yi Jun (the “Vendor”), pursuant to which, among other things, the Company has conditionally agreed to purchase from the Vendor (i) 30% of the issued share capital of Takenaka Investment Company Limited and (ii) the shareholders’ loan in the amount of US\$3,022,500 (equivalent to approximately HK\$23,575,500), for an aggregate consideration of HK\$38.70 million. The consideration would be satisfied as to (i) HK\$11.61 million by cash and (ii) the remaining balance of HK\$27.09 million by the issue of the consideration shares at the issue price of HK\$0.15. Accordingly, 180,600,000 shares of HK\$0.01 each at the issue price of HK\$0.15 were allotted and issued as fully paid on 7 January 2008.
- (iv) On 19 November 2007, the Company entered into a subscription agreement with Harvest Rise Investments 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 in an aggregate principal amount of HK\$50,000,000 (the “CB”) to be issued by the Company. In consideration of Harvest Rise’s agreeing to subscribe for or procure the subscription of the CB, the Company will issue 800,000,000 unlisted warrants (“Warrants”) to Harvest Rise at the exercise price of HK\$0.20 per warrant share. The CB and the Warrants were issued on 30 January 2008.

On 13 May 2008, convertible bonds amounting to HK\$40,000,000 were converted into 800,000,000 ordinary shares of the Company at the conversion price of HK\$0.05 per share.

14 Net assets value per share

The calculation of net asset value per share is based on the net asset value of the Company as at 30 June 2008 of HK\$270,048,931 (31 December 2007: HK\$200,359,968) and 5,168,735,753 (31 December 2007: 4,169,675,753) ordinary shares in issue at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2008, the Company recorded a total turnover of HK\$198,888,130. For the six months ended 30 June 2007, the Company recorded a total turnover of HK\$489,055. This increase in turnover was mainly due to increase in interest income and significant growth in the sales of financial assets.

The loss for the six months ended 30 June 2008 was HK\$27,290,736 while the loss for the corresponding period of 2007 was HK\$364,251.

The Company is an investment company under Chapter 21 of the Listing Rules. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC.

During the six months ended 30 June 2008, the Company held investments in three unlisted companies namely Jinan LuGu (HK) Technology Development Limited (“Jinan LuGu”), SNG Hong Kong Limited (“SNG”) and Takenaka Investment Company Limited (“Takenaka”) in its investment portfolio, which amounted to total cost and book value of HK\$56,700,225 and HK\$52,200,225 respectively.

Jinan LuGu is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2008, Jinan LuGu indirectly held 59.5% interest in a company incorporated in the People’s Republic of China (“PRC”) of which the principal activity is manufacturing and trading of 陶瓷微電路基板 (Ceramic Microcircuit Substrates), 微電路模塊 (Microcircuit Modules), 陶瓷電子元(組)件 (Ceramic Electronic Apparatus Parts (Discreteness)). The Company holds 250 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu. There were no dividends received from this investment during the period (2007: nil) under review.

SNG is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2008, 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 (LED Chips). The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. No dividend was received during the period (2007: nil) under review.

Takenaka is incorporated in British Virgin Islands and principally engaged in investment holding. As at 30 June 2008, Takenaka indirectly held 19.5% interest in a company incorporated in the PRC, of which the principal activity is manufacture and distribution of copper foils for civil and military uses. The Company holds 30 ordinary shares in Takenaka, representing 30% interest in the issued share capital of Takenaka. No dividend was received during the period (2007: N/A) under review.

As at the date of this report, the Company continued to hold the abovementioned investments in its investment portfolio. The Board is of the view that the business operations and the performance of such investments will grow with the economy in the PRC in the foreseeable future. With the solid financial position, the Company will continue to evaluate potential investments with high investment returns and yields for the shareholders.

As at 30 June 2008, the Company also held listed equity investments at the market value of HK\$55,235,220 and structured deposit at the fair value of HK\$49,984,000.

Prospect

Looking forward, the Company will continue to explore the investment opportunities to achieve medium-term capital appreciation.

Liquidity and Financial Resources

As at 30 June 2008, the Company had cash and bank balances of HK\$117,793,640. All the cash and bank balance were mainly placed as short term deposits in Hong Kong dollars with banks and securities companies in Hong Kong.

For the period 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 was zero (net debt to shareholders' funds) as at 30 June 2008. Taking into consideration the existing financial resources of the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Capital Structure

Details in the changes of the capital structure of the Company during the six months ended 30 June 2008 are set out in note 13 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2008.

Foreign Currency Fluctuation

The Company mainly operates its business transaction 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

As at 30 June 2008, the Company did not pledge its assets.

Contingent Liabilities

The Company did not have any contingent liabilities during the period under review.

Employee Information

As at 30 June 2008, the Company had 3 (2007: nil) employees.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2008, the Company had not purchased, sold or redeemed any of its listed securities.

Corporate Governance

Code on Corporate Governance Practices

The Company had complied with the Code on Corporate Governance Practice ("Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2008, save for deviation from Code A.4.1.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election.

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.

Model Code on Securities Transactions by Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code regarding Directors' Securities Transactions.

Review by Audit Committee

The Audit Committee, comprising the three independent non-executive directors of the Company, has reviewed and discussed with the management the Company's unaudited interim financial report for the six months ended 30 June 2008, and the internal control and financial reporting matters.

Publication of Interim Report

The 2008 Interim Report of the Company will be despatched to the shareholders of the Company as well as published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) under the section "Latest Listed Companies Information" and the Company in due course.

By Order of the Board
China Innovation Investment Limited
Wang Qing Yu
Chairman

Hong Kong, 26 September 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.