



**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)

**2012**  
**INTERIM REPORT**

# CONTENTS

	Page
FINANCIAL HIGHLIGHTS	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
ADDITIONAL INFORMATION	
Disclosure of Interests by Directors	8
Disclosure of Interests by Substantial Shareholders	10
Other Information	11
FINANCIAL INFORMATION	
Condensed Statement of Comprehensive Income	14
Condensed Statement of Financial Position	15
Condensed Statement of Changes in Equity	16
Condensed Statement of Cash Flows	17
Notes to the Condensed Financial Statements	18
CORPORATE INFORMATION	24

## FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of China Innovation Investment Limited (the “Company”) are pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2012 with comparative figures for the corresponding period of 2011 as follows:

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	111	2,648
(Loss)/profit for the period and attributable to owners of the Company	(4,730)	425
(Loss)/earnings per share (in HK cents) Basic and diluted	(0.07)	0.01

### Interim Dividend

To maintain the capital for operation and potential investment opportunities, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial review

For the six months ended 30 June 2012, the Company recorded a total revenue of approximately HK\$111,000 (2011: approximately HK\$2,648,000). This decrease in revenue was mainly attributable to the decrease in the interest income.

The loss for the six months ended 30 June 2012 was approximately HK\$4,730,000 while the profit for the corresponding period of 2011 was approximately HK\$425,000.

## 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.

During the six months ended 30 June 2011, there was interest income in the amount of approximately HK\$1,193,000 and HK\$1,250,000 earned from convertible bonds bought from Takenaka Industry Company Limited and interest-bearing debt instrument from Morgan Strategic Limited respectively. There was no similar convertible bond and debt instrument being made during the six months ended 30 June 2012. As a result, there was a sharp decrease in interest income by approximately 90.1% during the six months ended 30 June 2012 when compared to the corresponding period in 2011.

During the six months ended 30 June 2011, there was disposal gain in the amount of approximately HK\$3,392,000 earned from investment properties. There was no similar disposal of investment properties during the six months ended 30 June 2012.

As a result of the weak global economy and volatile financial market, the Company did not have any significant investments on the principle of the cautious financial management and solid investment pace during the six months ended 30 June 2011.

As at 30 June 2012, 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, which amounting to total cost and carrying values of approximately HK\$317,774,000 and HK\$313,274,000 respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Prospect

The Company is one of the few investment companies in Hong Kong focusing investment in dual usage of military and civil sectors. We invest in listed and non-listed civil and military joint ventures with high quality to strive for medium-term gains from capital appreciation in the course of securitization of corporate assets invested, and apply the same as our key operation strategy and income source.

Leveraging on our experience and well-connected network in the Mainland market over years, the Company recently invested in military and civil dual-used charge storage batteries, new models of lighting products, eco-equipment materials and energy-saving media terminals respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the four new industries of “New Energy”, “New Light”, “New Materials” and “New Media”, military and civil dual-application in real projects.

## Investment Portfolios

As at 30 June 2012, the Company hold the following investments:

- (i) The Company held 2,710 “B” non-voting shares in Topsun Creation Limited (“Topsun”), representing 67.75% interest in the issued share capital of Topsun. Topsun is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2012, Topsun directly held 100% interest in 太陽創建（中國）有限公司 (transliterated Topsun Creation (China) Limited, “Topsun China”, registered capital is RMB100 million and total investment is RMB200 million) which was incorporated in PRC. Topsun China focuses on the development and marketing of lead-acid batteries, and new energy storage batteries as the main product, the product is characterized by high capacity, fully sealed and maintenance-free. As the performance of lithium batteries are recognized, and PRC is determined to promote electric vehicles, so PRC obtains a great market prospect, Topsun China identified the lithium iron phosphate as the core product of the new energy storage batteries. On 8 May 2012, Topsun China and 江蘇恒益鋰電池製造有限公司 (transliterated Jiangsu Felie Li-ion Battery Manufacture Co., Limited) entered into a framework agreement related to establish a joint venture company 太陽創建（無錫）能源科技有限公司 (transliterated Topsun Creation (Wuxi) Energy Technology Company Limited) (“Joint Venture”). According to the agreement, the registered capital of the Joint Venture is RMB100 million and total investment of the Joint Venture is RMB200 million, Topsun China holds 51% share, the Joint Venture will carry out R & D and production of lithium iron phosphate cathode material. According to the negotiation, the Joint Venture also plans the development of production and operation of downstream lithium iron phosphate lithium battery and lithium battery electric space vehicles.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) The Company held 8,500 “B” non-voting shares in Aesthetic Vision Limited (“Aesthetic”), representing 85% interest in the issued share capital of Aesthetic. Aesthetic is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiary 唯美視界（中國）有限公司 (transliterated Aesthetic Vision (China) Limited, “Aesthetic China”, registered capital is RMB100 million and total investment is RMB200 million) which is incorporated in 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. On 28 June 2012, Aesthetic China and shareholders of 南京神易網路科技有限公司 (transliterated Nanjing Shen Yi Network Technology Co. Limited, “Nanjing Shen Yi”) entered into framework agreement related to raise capital and increase shares. According to the agreement, Nanjing Shen Yi will raise the capital to RMB50 million, Aesthetic China holds 51% of shares. In addition, Nanjing Shen Yi purchase 50 acres of land from another company in Nanjing in Jiangsu Province to conduct capacity expansion.
- (iii) The Company held 12,644 “B” non-voting shares in United Crown Century Company Limited (“United Crown”), representing 52.68% interest in the issued share capital of United Crown. United Crown is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of United Crown was indirectly hold 100% interest in 聯冠未來（中國）有限公司 (transliterated United Crown Future (China) Company Limited, “United China”, registered capital is RMB100 million and total investment is RMB200 million) which is incorporated in PRC of which is engaging in the research and development of energy-saving eco-wall. On 6 June 2012, United China and shareholders of 揚州集福新能源科技有限公司 (transliterated Yangzhou Green Fortune New Energy Co. Limited) (“Yangzhou Green Fortune”) entered into framework agreement related to raise capital and expand shares. According to the agreement, United China will invest about RMB50 million and will obtain 51% of share of Yangzhou Green Fortune. The registered capital of Yangzhou Green Fortune is US\$5.6 million. Yangzhou Green Fortune is engaging in R & D and production of three-in-one new materials and energy-saving building components.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) The Company held 48,500 “B” non-voting shares in Blue Angel (H.K.) Limited (“Blue Angel”), representing 62.99% interest in the issued share capital of Blue Angel. Blue Angel is incorporated in Hong Kong and principally engaged in investment holding. The subsidiary company 藍色天使（中國）有限公司 (transliterated Blue Angel (China) Limited, “Blue China”, registered capital is HK\$130 million and total investment is HK\$230 million) is wholly-owned by Blue Angel which is incorporated in PRC of which mainly engages in producing and assembly of solar products with the use of solar energy and LED technologies, so as to develop a four new and completed industry chain and provide a one-stop production setting with synergy effect. On 9 May 2012, Blue China and 深圳邁吉科光電有限公司 (transliterated Shen Zhen Mai Ji Ke Optoelectronics Limited) entered into cooperative agreement. Both parties agreed to form a joint venture (“Joint Venture”). According to the agreement, the register capital of Joint Venture is RMB100 million and total investment of Joint Venture is RMB200 million. Blue China holds 51% of shares, Joint Venture will conduct R & D and production of TFT-LCD model and the designed annual capacity is 12 million pieces, the annual output value is RMB1.2 billion. Joint Venture will purchase a land in Jiangyan of Jiangsu Province to conduct production (54.9 acres has been implemented in first stage, 23 acres in second stage). The Joint Venture will also plan R & D and the development of production to the downstream solar flat panel displays and other energy saving media terminal.

Being dedicated to outline a four new and completed industry chain conservation, the Company is actively seeking for more investment opportunities in new technologies like solar energy and LED, in order to build a greener low-carbon living.

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

### **Liquidity and financial resources and gearing**

As at 30 June 2012, the Company had cash and cash equivalents of approximately HK\$84,640,000. All the cash and cash equivalents 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 2012. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Capital structure**

Details in the changes of the capital structure of the Company during the six months ended 30 June 2012 are set out in note 8 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2012.

## **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 asset and contingent liabilities**

As at 30 June 2012, the Company has not pledge its assets and the Company did not have any significant contingent liabilities.

## **Employee information**

As at 30 June 2012, the Company had 8 (2011: 11) employees.

## **Appreciation**

Finally, for and on behalf of the Company and the board of directors, I would like to express my heartfelt gratitude to our shareholders, business partners and dedicated colleagues.

On behalf of the Board

**Xiang Xin**

*Chairman and Chief Executive Officer*

Hong Kong, 24 August 2012

## ADDITIONAL INFORMATION

### Disclosure of Interests by Directors

As at 30 June 2012, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

#### (i) Long position in the Shares

Name	Interest in Shares	Capacity	Approximate percentage of interests
Xiang Xin ("Mr. Xiang")	1,723,335,379	Corporate interests (note 1)	24.69%

Note:

- The 1,723,335,379 shares are held by Harvest Rise Investments Limited. Mr. Xiang is the sole director of the company and Mr. Xiang and his family member(s) are the ultimate beneficiaries of such company.

#### (ii) Long position in the underlying shares — share options

Name	Date of grant	Exercise period	Number of share options outstanding as at 30 June 2011	Exercise price per share	Number of total underlying Shares	Approximate percentage of interests
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	18,764,262	0.27%
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	21,137,704	0.30%

## ADDITIONAL INFORMATION

### (iii) Long position in the unlisted warrants (“2008 Warrants”) of the Company

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Xiang Xin	800,000,000	Corporate interest (note 1)	11.46%

Note:

1. The underlying Shares are held by Harvest Rise Investments Limited. Mr. Xiang is the sole director of the company and Mr. Xiang and his family member(s) are the ultimate beneficiaries of such company.

The 2008 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013.

Save as disclosed above, as at 30 June 2012, none of the Directors or the chief executive of the Company or any of their respective associates had any interests and short positions in the Shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

## ADDITIONAL INFORMATION

### Disclosure of Interests by Substantial Shareholders

As at 30 June 2012, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### (i) Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited	Beneficiary	1,723,335,379	24.69%
New Times Global Capital Inc. (note 1)	Deemed	1,723,335,379	24.69%
Kung Ching (note 2)	Deemed	1,723,335,379	24.69%
Guard Max Limited	Beneficiary	800,000,000	11.46%
Zhang Gui Sen (note 3)	Deemed	800,000,000	11.46%
China Seed International Limited	Beneficiary	800,000,000	11.46%
Yu Wang Shen (note 4)	Deemed	800,000,000	11.46%
Tat Fai Enterprises Limited	Beneficiary	434,983,891	6.23%
Cheung Chung Chit (note 5)	Deemed	434,983,891	6.23%

#### (ii) Long position in the unlisted warrants ("2008 Warrants") of the Company

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Harvest Rise Investments Limited (note 1)	800,000,000	Beneficiary	11.46%
Kung Ching (note 2)	800,000,000	Deemed	11.46%

The 2008 Warrants entitle the holders to subscribe for new Shares at a subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013.

## ADDITIONAL INFORMATION

### Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by New Times Global Capital Inc.. Accordingly, New Times Global Capital Inc. is interested in the shares and the underlying shares of the company held by Harvest Rise Investments Limited.
2. Ms. Kung Ching, the spouse of Mr. Xiang, owns 50% shares of New Times Global Capital Inc. and is also the director of the company. Ms. Kung Ching is deemed to have interest in the Shares and underlying Shares held by Harvest Rise Investments Limited.
3. Guard Max Limited is a private company wholly and beneficially owned by Mr. Zhang Gui Sen. Mr. Zhang Gui Sen is deemed to have interest in 800,000,000 shares held by Guard Max Limited.
4. China Seed International Limited is a private company wholly and beneficially owned by Mr. Yu Wang Shen. Mr. Yu Wang Shen is deemed to have interest in 800,000,000 shares held by China Seed International Limited.
5. Tat Fai Enterprises Limited is a private company wholly and beneficially owned by Mr. Cheung Chung Kit. Mr. Cheung Chung Kit is deemed to have interest in 434,983,891 shares held by Tat Fai Enterprises Limited.

Save as disclosed above, as at 30 June 2012, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Other Information

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

During the six months ended 30 June 2012, the Company had not purchased, sold or redeemed any of its listed securities.

## ADDITIONAL INFORMATION

### **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 2012, save for deviation from Code A.2.1 and A.4.1.

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. Such practice deviates from code provision A.2.1 of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, 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 its 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.

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 during the six months ended 30 June 2012.

## ADDITIONAL INFORMATION

### **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 in compliance with the Code as set out in the Listing Rules. As at the date of this interim 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 principal duties of the Audit Committee include the review and supervision of the Company’s financial reporting system and internal control procedures and review of the Company’s financial information.

The Company’s interim report for the six months ended 30 June 2012 has been reviewed by the Audit Committee.

### **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 six months ended 30 June 2012.

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	<i>Notes</i>	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest income		256	2,583
(Loss)/gain on disposal of financial assets at fair value through profit or loss		(145)	65
Gain on disposal of investment properties		—	3,392
Fair value change of financial assets at fair value through profit or loss		(455)	—
Operating expenses		(4,386)	(5,615)
<b>(Loss)/profit before taxation</b>	3	<b>(4,730)</b>	425
Income tax expense	4	—	—
<b>(Loss)/profit for the period and attributable to owners of the Company</b>		<b>(4,730)</b>	425
<b>(Loss)/earnings per share (in HK cents)</b>			
Basic and diluted	5	(0.07)	0.01
Total comprehensive income for the period and attributable to owners of the Company		<b>4,730</b>	425

# CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		30 June 2012	31 December 2011
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,908	3,426
Available-for-sale investments	6	313,274	313,274
Deposit for acquisition of available-for-sale investments		35,790	35,790
		<b>351,972</b>	352,490
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit and loss		9,090	—
Deposits, prepayment and other receivables		1,875	2,501
Cash and cash equivalents	7	84,640	97,909
		<b>95,605</b>	100,410
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		60,190	60,783
<b>NET CURRENT ASSETS</b>		<b>35,415</b>	39,627
<b>NET ASSETS</b>		<b>387,387</b>	392,117
<b>CAPITAL AND RESERVES</b>			
Equity attributable to owners of the Company			
Share capital	8	69,794	69,794
Reserves		317,593	322,323
<b>TOTAL EQUITY</b>		<b>387,387</b>	392,117
Net asset value per share	10	<b>0.06</b>	0.06

# CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2012	69,794	313,682	28,818	(20,177)	392,117
<b>Total comprehensive income for the period</b>	—	—	—	(4,730)	(4,730)
<b>At 30 June 2012</b>	<b>69,794</b>	<b>313,682</b>	<b>28,818</b>	<b>(24,907)</b>	<b>387,387</b>
At 1 January 2011	69,794	313,682	28,818	(19,488)	392,806
Total comprehensive income for the period	—	—	—	425	425
At 30 June 2011	69,794	313,682	28,818	(19,063)	393,231

*Notes:*

- (i) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution. Dividend may also be declared out of share premium account of the Company. As at 30 June 2012, the Company's reserve available for distribution amounted to approximately HK\$288,775,000 (30 June 2011: approximately HK\$294,619,000).
- (ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2.
- (iii) The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the reserve related to that financial asset, and is effectively realised, is recognised in profit or loss.

# CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash used in operating activities	(3,559)	(2,940)
Net cash (used in)/generated by investing activities	(9,710)	24,847
Net cash generated by financing activities	—	—
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,269)</b>	<b>21,907</b>
Cash and cash equivalents at the beginning of the period	<b>97,909</b>	81,146
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>84,640</b>	103,053
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>20,763</b>	15,054
Non-pledged time deposits with original maturity of less than three months when acquires	<b>63,877</b>	87,999

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1 Corporate information

The Company is 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").

## 2 Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011.

### Summary of significant accounting policies

The Company has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and amounts reported for the current period and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 3 (Loss)/profit before taxation

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
The Company's (loss)/profit before taxation is arrived at after charging:		
Auditors' remuneration	80	75
Depreciation of property, plant and equipment	518	630
Employee benefit expense, including Directors' remuneration		
— wages, salaries and others	1,019	1,186
— contribution to retirement benefits scheme	39	37
Operating lease charge for land and buildings	480	480
Loss on disposal of property, plant and equipment	—	1,306

### 4 Income tax expense

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 and 30 June 2011 as the Company did not generate any assessable profits.

### 5 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$4,730,000 (2011: profit of approximately HK\$425,000) and the weighted average number of 6,979,385,753 (2011: 6,979,385,753) shares in issue during the period.

The computation of the diluted (loss)/earnings per share does not assume the exercise of the Company's share options as the exercise would decrease the loss per share of both current and prior periods.

### 6 Available-for-sale investments

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
	Unlisted equity securities, at cost	317,774
Less: Impairment	(4,500)	(4,500)
Net carrying value	313,274	313,274

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 7 Cash and cash equivalents

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Cash at banks	19,114	19,121
Cash on hand	3	3
Time deposits	63,877	77,435
Cash held in securities account of securities companies	1,646	1,350
	<b>84,640</b>	97,909

### 8 Share capital

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
Issued and fully paid:		
6,979,385,753 ordinary shares of HK\$0.01 each	69,794	69,794

### 9 Share options

Under the share option scheme (the "Scheme") approved by the sole shareholder of the Company on 18 July 2002, the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours or above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

Movements of the options granted under the Scheme during the six months ended 30 June 2012 and outstanding at 30 June 2012 were as follows:

Date of grant	Option period	Number of share options				Outstanding as at 30 June 2012	Price per share to be paid on exercise of options HK\$
		Outstanding as at 1 January 2012	Granted during the period	Lapsed during the period	Exercised during the period		
29/1/2003	28/8/2003 – 27/8/2013	14,341,966	—	—	—	14,341,966	0.0244

As at 30 June 2012, the number of shares issuable under the Scheme represented approximately 0.21% (31 December 2011: approximately 3.99%) of the Company's shares in issue as at that date.

### 10 Net assets value per share

The calculation of net asset per share is based on the net asset value of the Company as at 30 June 2012 of approximately HK\$387,387,000 (31 December 2011: approximately HK\$392,117,000) and 6,979,385,753 (31 December 2011: 6,979,385,753) ordinary share in issue at the date.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 11 Connected and related party transactions

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Investment management fee paid to China Everbright Securities (HK) Limited ( <i>note a</i> )	225	150
Rental expense paid to New Era Group (China) Limited ( <i>note b</i> )	480	480
Rental deposit paid to New Era Group (China) Limited ( <i>note b</i> )	160	160

Note:

- (a) The Company has 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. 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. On 23 October 2007, a revision on the service charge to HK\$300,000 per annum by monthly payment of HK\$25,000 and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008 was proposed and accepted. On 28 February 2012, a revision on the service charge to HK\$960,000 per annum by monthly payment of HK\$80,000 and the annual bonus was cancelled with effect from 20 May 2012 was proposed and accepted.
- (b) The Company has entered into a tenancy agreement with New Era Group (China) Limited ("NEG"), a company of which Mr. Xiang Xin is also a director, (the "Tenancy Agreement") 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. On 1 January 2011, the Company agreed to renew and extend the terms of the Tenancy Agreement with NEG for a term of three years commencing from 1 July 2011 and expiring on 30 June 2014. 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 12 Commitment

#### (a) Operating lease

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Within one year	1,500	1,500
In the second to fifth years inclusive	1,770	2,520
	<b>3,270</b>	4,020

Operating lease payments represent rental payable by the Company for its office premises. Leases are negotiated for the term of three years.

#### (b) Capital commitment

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Commitment for the acquisition of available-for-sale investments	40,263	40,263

### 13 Contingent liabilities

The Company did not have any material contingent liabilities at the balance sheet date.

### 14 Interim dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. Xiang Xin  
*(Chairman and Chief Executive Officer)*  
Mr. Chan Cheong Yee  
Mr. Li Zhou  
Mr. Jook Chun Kui Raymond

### Non-Executive Director

Mr. Ng Kwong Chue Paul

### Independent Non-executive Directors

Mr. David Wang Xin  
Mr. Zang Hong Liang  
Mr. Lee Wing Hang

### Authorised Representatives

Mr. Xiang Xin  
Mr. Liu Wai Kin

### Audit Committee and Remuneration Committee

Mr. David Wang Xin *(Chairman)*  
Mr. Zang Hong Liang  
Mr. Lee Wing Hang

### Company Secretary

Mr. Liu Wai Kin

### Registered Office

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### Principal Place of Business in Hong Kong

26/F, No. 9 Des Voeux Road West,  
Sheung Wan, Hong Kong

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, George Town  
Grand Cayman KY1-1107  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited  
18/F., Fook Lee Commercial Centre  
Town Place, 33 Lockhart Road  
Wanchai, Hong Kong

### Investment Manager

China Everbright Securities (HK) Limited

### Auditors

ANDA CPA Limited

### Principal Bankers

Bank of China (Hong Kong) Limited  
Hang Seng Bank  
UBS AG  
Bank of Singapore Limited

### Custodians

China Everbright Securities (HK) Limited  
Hang Seng Bank  
UBS AG

### Stock Code

1217

### Website

[www.1217.com.hk](http://www.1217.com.hk)