



中國創新投資有限公司

China Innovation Investment Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1217)

ANNUAL REPORT

07

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DIRECTORS**Executive Directors**

Mr. Xiang Xin (*Chief Executive Officer*)
Mr. Chan Cheong Yee
Mr. Wong Chak Keung

Non-executive Directors

Mr. Wang Qing Yu (*Chairman*)
Mr. Ng Kwong Chue Paul

Independent non-executive Directors

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

AUTHORIZED REPRESENTATIVES

Mr. Xiang Xin
Mr. Wong Chak Keung

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wong Chak Keung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2305 – 2307, 23rd Floor
Two Chinachem Exchange Square
338 King's Road
North Point, 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
Cayman Islands KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Room 1901-02
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai, Hong Kong

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDITORS

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

STOCK CODE

1217

WEBSITE

www.1217.com.hk



Chairman's Statement

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.

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.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

The Company raised approximately HK\$20.4 million after the subscription and full exercise of unlisted warrants in August 2007 and September 2007 respectively. Since the completion in early November 2007 of the rights issue, which raised a net of HK\$142.5 million of another fresh capital, the Company has been better positioned to pursue its strategy to achieve medium-term capital appreciation by investing and participating, as a financial investor, in the capital restructuring of state-owned enterprises in the PRC engaged in the military industry (particularly, those engaged in the commercialisation and development of technologies used in military for civil and commercial application).

Save for the acquisition in Takenaka Investment Company Limited completed in early January 2008, the Company had not yet identified any appropriate and potential investment. The net proceeds from the above fund raising exercises had been placed in interest-bearing bank accounts for future investment purpose.

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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost support and contribution to the Company during the year.

Wang Qing Yu

Chairman

Hong Kong, 9 April 2008



Management Discussion and Analysis

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 options in the year as incentives and rewards to eligible participants including the Directors to contribute to the success of the Company's operations.

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* (鎮江藤枝銅箔有限公司), 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.



Management Discussion and Analysis

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.

CAPITAL STRUCTURE

Details in the changes of capital structure of the Company during the year are set out in the statement of changes in equity on pages 26. The capital of the Company comprises only ordinary shares as at 31 December 2007.

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.

EMPLOYEE INFORMATION

As at 31 December 2007, the Company had 2 (2006: nil) employees. The Company ensured that its employees are remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

OUTLOOK

The Commission of Science Technology and Industry for National Defense of the PRC* (中華人民共和國國防科學技術工業委員會), The National Development and Reform Commission of the PRC* (中華人民共和國國家發展和改革委員會) and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (國務院國有資產監督管理委員會) jointly issued a policy direction of Circular No. 546 on 17 May 2007 concerning the reform and share restructuring of the state-owned enterprises in the military industry (particularly, those engaged in the commercialization and development of technologies used in military for civil and commercial applications) in the PRC for purposes of enhancing operating efficiency and financial performance of these state-owned enterprises as well as to encourage qualified foreign investors to participate in their reform and share restructuring.



Management Discussion and Analysis

On 22 October 2007, the Company entered into a non-legally binding co-operation memorandum with CITIC Investment Holdings Limited (“CITIC Investment”), the investment arm of CITIC Group, for the establishment of a strategic alliance in co-investment in the PRC. The Board believes that the establishment of a strategic alliance with CITIC Group would help eliminate potential legal barriers to the Company’s investment in the military industry (particularly, those engaged in the commercialization and development of technologies used in military for civil and commercial applications) in the PRC. The strong resources and extensive network of CITIC Group in the PRC will also broaden its opportunities in the relevant industries. The Company and CITIC Investment, on 1 January 2008, then entered into an agreement to jointly establish a steering committee as guidance in identifying co-investment targets and facilitating the process of such investments in the military industry in the PRC.

On 5 November 2007, the Company entered into a non-binding agreement-in-principle to invest in Beijing Heifeng Aviation Science and Technology Co., Ltd. * (“Beijing Heifeng”) (北京黑峰航空科技有限公司), which is principally engaged in the research, development, manufacturing and sale of unmanned aircrafts in the PRC (the “Unmanned Aircrafts Project”). As advised by Beijing Heifeng, there has been positive development regarding the Unmanned Aircrafts Project following the signing of the agreement-in-principle and Beijing Heifeng is in the process of discussing with its PRC legal advisers as to the establishment of an appropriate structure in preparation for the Company’s potential investment.

In early January 2008, the Company completed its 30% acquisition in Takenaka Investment. Takenaka Investment has its 65% indirect equity interest in a joint venture company in the PRC principally engaged in the manufacture and sale of copper foil materials for both civil and military uses.

On 7 January 2008, the Company entered into a non-legally binding memorandum of understanding with the Optoelectronic Bureau of China North Industries Group Corporation* (中國兵器工業集團公司) (“CNGC”), pursuant to which the Company has been granted the first right of refusal to invest in two optoelectronic projects under CNGC in the PRC, namely LED lighting project and solar cell project. In addition, the Company has also been granted a first right of refusal to invest in the projects of the overall capital restructuring of CNGC’s other investments in optoelectronic industry and a right to introduce strategic investor(s) for such projects.

On 28 January 2008, the Company entered into a non-legally binding memorandum of understanding with QUASAR Communication Technology Holdings Limited (“QUASAR”), a company listed on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, for the establishment of a strategic co-operation in the civil and military dual-use optoelectronic industry in the PRC. On 13 March 2008, the Company entered into a co-operation letter of intent with QUASAR and a wholly-owned subsidiary of CNGC to participate and make a joint investment in the share restructuring of Nanjing North Weihaw Optics Electronics Co., Ltd.* (南京北方慧華光電有限公司) principally engaged in civil and military dual-use optoelectronic products.

With a view to seizing the opportunities under the aforesaid policy direction of Circular No. 546 and using the proceeds to invest, as a minority shareholder and participate, as a financial investor, in the state-owned enterprises engaged in military industry (particularly, those engaged in the commercialization and development of technologies used in military for civil and commercial applications), the Company plans to dedicate additional resources on investment in those PRC enterprises engaged in the military industry in the PRC. The Company will make further announcement(s) in respect of any material development on each of above possible transaction and action.

* For identification purpose only

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 report, the Company has complied with the code provisions in the Code, save for deviation from Code 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.

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.

BOARD OF DIRECTORS

The Board currently consists of three executive Directors, two non-executive Directors and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules. Composition of the Board is set out on page 15 of this annual report.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company’s Articles of Association and shall be eligible for re-election. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the next general meeting after their appointment and shall be eligible for re-election.

The Board is responsible for the leadership and control of the Company and oversees the Company’s businesses, strategic decisions and performance. Approval of the Board is required for the strategy of the Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

The Directors may have access to the advice and services of the company secretary of the Company with the view to ensuring that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company’s expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The attendance of individual members at board meetings and executive committee meetings held during the year ended 31 December 2007 are set out as below:

Name of Directors	Board meetings Attendance	Executive Committee meetings Attendance
<i>Executive Directors:</i>		
Mr. Xiang Xin	15/15	7/7
Mr. Chan Cheong Yee	14/15	7/7
Mr. Wong Chak Keung (appointed on 12 November 2007)	4/4	3/3
Mr. Lin Zhiqun Brett (resigned on 10 September 2007)	1/3	n/a
Mr. Kwok Chi Hung (resigned on 1 November 2007)	0/8	n/a
Mr. Ng Tin Sang (resigned on 1 November 2007)	2/8	n/a
<i>Non-executive Directors:</i>		
Mr. Wang Qing Yu	2/15	n/a
Mr. Ng Kwong Chue Paul	3/15	n/a
<i>Independent non-executive Directors:</i>		
Mr. David Wang Xin	2/15	3/7
Mr. Lee Wing Hang	2/15	n/a
Mr. Zang Hong Liang	0/15	n/a

The biographical details of the Directors are set out on pages 12 to 13 of this annual report.

To the best knowledge of the Company, none of the Directors above has any financial, business and family or other material/ relevant relationship with any of the other Directors.

All independent non-executive Directors are financially independent from the Company. The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer of the Company are Mr. Wang Qing Yu and Mr. Xiang Xin respectively.

The Board recognises power is not concentrated in any one individual both on the management of the Board and the day-to-day management of the Company's business. In order to meet this aim, the responsibilities between the Chairman and the Chief Executive Officer are separate.

The Chairman is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner.

Management is responsible for the day-to-day operations of the Company under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee currently comprises three members, including all executive Directors of the Company.

The Executive Committee held periodical meetings during the year ended 31 December 2007 to review, discuss and evaluate the business performance and other business and operational matters of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in the year 2006 with terms of reference as set out in the Code. The Remuneration Committee consists of three independent non-executive Directors. As at the date of this report, the members of the Remuneration Committee are as follows:

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

The principal duties of the Remuneration Committee include formulation of the remuneration policy; review and recommending to the Board the annual remuneration; make recommendation to the Board of the remuneration of non-executive directors; and determination of the remuneration of executive directors and members of the senior management. One meeting of the Remuneration Committee was held by all the members on 18 October 2007 in relation to the granting of share option to the Directors of the Company.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was set up on 3 August 2007. In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

During the year ended 31 December 2007, one meeting was held by the Nomination Committee on 12 November 2007 in resolving the appointment of a new Director. The attendance of committee members was as follows:

Name of Directors	Attendance
Mr. Xiang Xin	1/1
Mr. Chan Cheong Yee	1/1
Mr. David Wang Xin	0/1
Mr. Wong Chak Keung (appointed on 12 November 2007)	0/0

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) was established by the Board since the listing of the Company’s shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference adopted since its establishment in compliance with the Code as set out in Appendix 14 of the Listing Rules. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

Mr. David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met at least twice during the year and the respective attendance at such meeting during the year ended 31 December 2007 was:

Name of Directors	Attendance
Mr. David Wang Xin	2/2
Mr. Lee Wing Hang	1/2
Mr. Zang Hong Liang	2/2

The Audit Committee is responsible for reviewing the Company’s interim and annual financial statements and making recommendation as to the approval of the Company’s interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half year results for the period ended 30 June 2007 and the annual results for the year ended 31 December 2007 of the Company before announcement of both results.

INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company’s simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Company’s risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has conducted a review of the effectiveness of the Company’s internal control system, and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Company’s assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company’s internal control systems is sufficient.

FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2007, the Directors have:

- based on a going concern basis;
- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable;
- ensured that the financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

EXTERNAL AUDITORS

The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 23.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid and payable to the Company's auditors, Messrs. Graham H.Y. Chan & Co., is set out as follow:

Audit fee for the year	HK\$85,000
Non-audit services	
– tax compliance	HK\$2,500
– others	HK\$121,000



Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Xiang Xin, aged 44, an executive Director and the Chief Executive Officer, joined the Company in January 2003. He has worked for quite a few large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. He also has many years of experience in project investment and telecommunications network businesses. Mr. Xiang holds a bachelor degree in Science and a master degree in Engineering from Nanjing University of Science & Technology. Mr. Xiang is also an executive director and the Chief Executive Officer of QUASAR Communication Technology Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 25 February 2008.

Mr. Chan Cheong Yee, aged 44, an executive Director, joined the Company in June 2003. Mr. Chan has obtained a bachelor of science degree from the College of Business Administration of The University of South Florida in the United States. Mr. Chan has also been appointed as an independent non-executive director of S&D International Development Group Limited (formerly known as SJTU Sunway Software Industry Limited), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 27 March 2007. Mr. Chan was appointed as an independent non-executive director of Emcom International Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, on 28 August 2007. On top of the directorships mentioned above, from 2004 to 2006, Mr. Chan was an independent non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange, and from 1 June 2002 to 30 June 2003, he was an executive director of Haywood Investments Limited (currently Apex Capital Limited), an investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules. From May 2004 to February 2005, he was an independent non-executive director of GP Nano Technology Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange until 9 June 2005. Mr. Chan is a licensed person under the SFO for regulated activities in dealing in securities, dealing in futures contracts, leveraged foreign exchange trading and asset management and is a responsible officer of each of China Everbright Securities (HK) Limited, China Everbright Capital Limited and China Everbright Forex & Futures (HK) Limited, all being licensed corporations under the SFO.

Mr. Wong Chak Keung, aged 41, an executive Director and company secretary, joined the Company in November 2007. Mr. Wong holds a bachelor's degree in business from The University of Southern Queensland in Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wong has been in the accounting profession for over 15 years. Mr. Wong worked in various positions in an international accounting firm, corporate finance, educational business and manufacturing sector in Hong Kong. Mr. Wong is also an executive director of QUASAR Communication Technology Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 25 February 2008.

NON-EXECUTIVE DIRECTORS

Mr. Wang Qing Yu, aged 64, a non-executive Director and Chairman of the Company, joined the Company in December 2005. Mr. Wang graduated from Optical Equipment Faculty of Changchun University of Science and Technology, majoring in Precision Mechanics. He had previously taught optical precision mechanical technology and optical cold processing and conducted related scientific research. He was Schoolmaster of Changchun University of Science and Technology, professor and secretary of the Party Committee, Head President of China South Industries Group Corporation and Director of the General Office. He was awarded National Science Conference Group Award Grade A. Mr. Wang was recognised as a science expert by the State Council of the PRC, and is entitled to perpetual government allowances.



Biographical Details of Directors

Mr. Ng Kwong Chue Paul, aged 37, a non-executive Director, joined the Company as executive Director in April 2003 and re-designated as non-executive Director in May 2006. He has more than 12 years of experience in audit, taxation and corporate finance areas. Mr. Ng was one of the founders of the Company. He is also the company secretary and chief investment officer of JLF Investment Company Limited, a company listed on the main board of the Hong Kong Stock Exchange. Mr. Ng also manage a private equity funds with total fund size over HK\$700 million. He holds a bachelor degree in Commerce from The University of Melbourne. He is a member of CPA Australia, Hong Kong Institute of Certified Public Accountants and a certified management consultant with Australia Institute of Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Wang Xin, aged 45, an independent non-executive Director and is a chairman of the audit committee of the Company, joined the Company in October 2002. He is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor's degree in Mechanical Engineering in 1982 and a master's degree in Business Administration in 1985.

Mr. Zang Hong Liang, aged 39, an independent non-executive Director and is a member of the audit committee of the Company, joined the Company in September 2004. He is at present a lawyer of Jingtian & Gongcheng, Attorneys at Law. He graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. He holds a bachelor degree in International Economic Law and a master degree in Commercial Law. Mr. Zang's area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping.

Mr. Lee Wing Hang, aged 39, an independent non-executive Director and a member of the audit committee of the Company, joined the Company in December 2006. He holds a bachelor degree in accountancy from Australia. He has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.



Report of the Directors

The directors of the Company (the “Directors”) have pleasure to present their report and the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and the People’s Republic of China (“PRC”).

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 11 December 2007, the name of the Company was changed from “Sino Technology Investments Company Limited 中國創新投資有限公司” to “China Innovation Investment Limited 中國創新投資有限公司”.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the income statement on page 24.

The Board has resolved not to declare any dividend (2006: nil) for the year under review.

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 26.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of 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.

As at 31 December 2007, the Company had distributable reserves amounting to approximately HK\$155,232,000 (2006: approximately HK\$26,128,000).



Report of the Directors

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out below:-

	2007 HK\$	2006 <i>HK\$</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Turnover (<i>note</i>)	55,670,795	1,304,530	9,441,106	5,148,934	8,135,305
Loss attributable to shareholders	(5,088,915)	(1,187,183)	(9,511,663)	(9,078,931)	(398,369)
Total assets	201,960,939	29,562,554	27,175,992	36,656,073	45,781,656
Total liabilities	(1,600,971)	(434,577)	(154,540)	(122,958)	(169,610)
Net assets	200,359,968	29,127,977	27,021,452	36,533,115	45,612,046

Note: Turnover for 2003 to 2006 were restated to conform with current year presentation.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 16 to the financial statements.

WARRANTS, OPTIONS OR SIMILAR RIGHTS

Other than the share option scheme of the Company as stated in note 17 to the financial statements, the Company had no outstanding warrants, options or similar rights as at 31 December 2007.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Xiang Xin (*Chief Executive Officer*)

Mr. Chan Cheong Yee

Mr. Wong Chak Keung

(appointed on 12 November 2007)

Mr. Kwok Chi Hung

(resigned on 1 November 2007)

Mr. Ng Tin Sang

(resigned on 1 November 2007)

Mr. Lin Zhiqun Brett

(resigned on 10 September 2007)

Non-executive Directors:

Mr. Wang Qing Yu (*Chairman*)

Mr. Ng Kwong Chue Paul

Independent non-executive Directors:

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

In accordance with Article 98(3) of the Articles of Association of the Company, Mr. Wong Chak Keung shall hold office only until the forthcoming annual general meeting of the Company and shall be eligible for re-election.

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. Xiang Xin and Mr. David Wang Xin shall retire and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 12 to 13 of this annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2007, 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 shares, 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	723,335,379	Corporate interests (<i>note 1</i>)	17.35%
Chan Cheong Yee	17,040,000	Beneficiary	0.41%
Wong Chak Keung	8,520,000	Beneficiary	0.20%
Lee Wing Hang	2,344,000	Beneficiary	0.06%

Note:

- The 723,335,379 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

(ii) Long position in the underlying shares of equity derivatives – share options

Name	Date of grant	Exercise period	Number of share options outstanding as at 31 December 2007	Exercise price per share (note 2)	Number of total underlying Shares (note 2)	Approximate percentage of interests
Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500	17,040,000	0.41%
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	0.0500	8,520,000	0.20%
Wang Qing Yu	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	0.0500	8,520,000	0.20%
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	18,764,262	0.45%
	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	0.0500		
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	21,137,704	0.51%
	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500		
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500	17,040,000	0.41%
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010	10,000,000	0.0500	10,000,000	0.24%

Note:

- On 18 October 2007, pursuant to the Share Option Scheme of the Company, each of Mr. Xiang Xin, Mr. Chan Cheong Yee, Mr. Wong Chak Keung, Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang was granted share options to subscribe for 2,000,000 shares, and each of Mr. Wang Qing Yu and Mr. Ng Kwong Chue Paul was granted share options to subscribe for 1,000,000 shares. The options are exercisable at the subscription price of HK\$0.426 per share during the period from 18 October 2007 to 15 October 2010.
- As a result of the rights issue completed on 5 November 2007 as described in note 16 to the financial statements, the exercise price for the options granted on 29 January 2003 was adjusted from HK\$0.2083 to HK\$0.0244 per share and for the options granted on 18 October 2007 was adjusted from HK\$0.426 to HK\$0.050 per share respectively. The number of shares to be allotted and issued upon full exercise of the subscription rights attaching to then outstanding options as at 31 October 2007 were also adjusted accordingly.

Save as disclosed above, none of the Directors or the chief executive of the Company or any of their respective associates had, as at 31 December 2007, 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.



SHARE OPTION SCHEME

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme"), 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 and 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.

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.

As at the date of this report, a total of 440,873,183 share options (representing approximately 10.09% of the existing issued share capital of the Company at the date of this annual report) have been granted and outstanding pursuant to the Scheme.



Report of the Directors

Details of the options granted under the Scheme and outstanding at 31 December 2007 are as follows:

Name	Date of grant	Exercise period	Number of share option				Outstanding as at 31 December 2007	Exercise price per share (adjusted) (note 4) HK\$
			Outstanding as at 1 January 2007	Granted during the year (note 2)	Adjustment (note 4)	Exercise during the year		
Xiang Xin	29.1.2003	28.8.2003 to 27.8.2013	960,000 (note 1)	-	-	960,000	-	-
	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	-	17,040,000	0.0500
Chan Cheong Yee	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	17,040,000	-	0.0500
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	8,520,000	8,520,000	0.0500
Wang Qing Yu	18.10.2007	18.10.2007 to 15.10.2010	-	1,000,000	7,520,000	-	8,520,000	0.0500
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	1,200,000	-	9,044,262	-	10,244,262	0.0244
	18.10.2007	18.10.2007 to 15.10.2010	-	1,000,000	7,520,000	-	8,520,000	0.0500
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	480,000	-	3,617,704	-	4,097,704	0.0244
	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	-	17,040,000	0.0500
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	-	17,040,000	0.0500
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	7,040,000	10,000,000	0.0500
Former directors as business advisors	18.10.2007	18.10.2007 to 15.10.2010	-	2,000,000	15,040,000	8,520,000	8,520,000	0.0500
Business advisors	29.1.2003	28.8.2003 to 27.8.2013	21,360,000	-	142,175,770	58,634,553	104,901,217	0.0244
	18.10.2007	18.10.2007 to 15.10.2010	-	19,500,000	146,640,000	75,510,000	90,630,000	0.0500
Employees	18.10.2007	18.10.2007 to 15.10.2010	-	500,000	3,760,000	-	4,260,000	0.0500
			24,000,000	36,000,000	425,557,736	176,224,553	309,333,183	

Note:

- Ms. Kung Ching, spouse of Mr. Xiang Xin, was granted share option as an advisor of the Company to subscribe for 960,000 (as adjusted after completion of rights issue in 2006) pursuant to the Share Option Scheme of the Company. The option was exercised during the year at the exercise price per share of HK\$0.2083.
- On 18 October 2007, pursuant to the Share Option Scheme of the Company, an aggregate of 36,000,000 share options were granted to each respective eligible participants at the exercise price per share of HK\$0.426. The share options are exercisable during the period from 18 October 2007 to 15 October 2010. The closing price of the Company's shares immediately before the date of grant was HK\$0.325.
- The estimated fair value of the share options granted during the year was approximately HK\$0.1538 per share option. The Company recognised total expenses of approximately HK\$5,536,800 for the year ended 31 December 2007 in relation to the fair value of the options granted on 18 October 2007.

The following significant assumptions were used to derive the fair value using the Binominal option pricing model:

Expected volatility:	102%
Expected dividend yield:	Nil
Expected life:	3 years
Risk free interest rate:	3.75% (being the yield of 3-year Exchange Fund Note as at the date of grant on 18 October 2007)

Based on the above assumptions, the estimated fair value under the options granted on 18 October 2007 was approximately HK\$0.1538 per share option.

- As a result of the rights issue completed on 5 November 2007 as described in note 16 to the financial statements, the exercise price for the options granted on 29 January 2003 was adjusted from HK\$0.2083 to HK\$0.0244 per share and for the options granted on 18 October 2007 was adjusted from HK\$0.426 to HK\$0.050 per share respectively. The number of shares to be allotted and issued upon full exercise of the subscription rights attaching to outstanding options as at 31 October 2007 for the options granted on 29 January 2003 was adjusted from 20,544,000 to 175,381,736 shares and for the options granted on 18 October 2007 was adjusted from 36,000,000 to 306,720,000 shares. A total of 425,557,736 shares to be allotted and issued upon full exercises of the subscription rights attaching to outstanding options as at 31 October 2007 was adjusted accordingly.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, 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:

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 (<i>note 1</i>)	Corporate	723,335,379	17.35%
Kung Ching (<i>note 2</i>)	Family Corporate	723,335,379	17.35%
Lu Keming	Beneficiary	660,383,891	15.84%



Report of the Directors

Note:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.
2. Ms. Kung Ching, the spouse of Mr. Xiang, is deemed to have interest in 723,335,379 shares held by Harvest Rise Investment Limited as mentioned in note 1 above.

Save as disclosed above, as at 31 December 2007, 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.

DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Other than the share option scheme as disclosed under the heading "Share Option Scheme" above, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or the chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right.

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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 21 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

All significant connected transactions entered by the Company during the year ended 31 December 2007 are disclosed in note 21 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.



Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

RETIREMENT BENEFITS SCHEME

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the income statement as incurred.

For the year ended 31 December 2007, no forfeited contribution to the retirement benefits scheme was credited to the income statement (2006: nil).

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 7 to 11.

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 2007.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Company are set up in note 19 to the financial statements.

AUDITORS

A resolution for the re-appointment of Messrs. Graham H.Y. Chan & Co. as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By order of the Board

Xiang Xin

Executive Director and Chief Executive Officer

Hong Kong, 9 April 2008



Independent Auditor's Report



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF CHINA INNOVATION INVESTMENT LIMITED (FORMERLY KNOWN AS SINO TECHNOLOGY INVESTMENTS COMPANY LIMITED)

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China Innovation Investment Limited (formerly known as Sino Technology Investments Company Limited) (the "Company") set out on pages 24 to 50, which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.

Certified Public Accountants (Practising)

Unit 1, 15/F., The Center,
99 Queen's Road Central,
Hong Kong

9 April 2008



Income Statement

For the year ended 31 December 2007

	Note	2007 HK\$	2006 HK\$ (restated)
Turnover	5	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	7	(3,100,872)	(1,493,489)
Loss before taxation		(5,088,915)	(1,187,183)
Income tax expense	8	–	–
Loss attributable to shareholders		(5,088,915)	(1,187,183)
Basic loss per share (HK cents)	10	(0.56)	(0.53)



Balance Sheet

As at 31 December 2007

	Note	2007 HK\$	2006 HK\$
NON-CURRENT ASSETS			
Available-for-sale investments	12	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	13	8,925,202	–
Deposits and prepayment		566,657	344,227
Financial assets at fair value through profit or loss	14	29,088,000	–
Cash and cash equivalents	15	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	16	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		HK\$0.05	HK\$0.10

The financial statements on pages 24 to 50 were approved and authorised for issue by the Board of Directors on 9 April 2008 and are signed on its behalf by:

Xiang Xin
Director

Wong Chak Keung
Director



Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2006	1,999,440	44,420,105	–	(19,398,093)	27,021,452
Changes in equity for 2006					
Loss for the year and total recognised income and expense	–	–	–	(1,187,183)	(1,187,183)
Issue of rights shares	999,720	2,999,160	–	–	3,998,880
Rights shares issuing expense	–	(705,172)	–	–	(705,172)
At 31 December 2006 and 1 January 2007	2,999,160	46,714,093	–	(20,585,276)	29,127,977
Changes in equity for 2007					
Loss for the year and total recognised income and expense	–	–	–	(5,088,915)	(5,088,915)
Issue of rights shares	36,335,520	109,006,560	–	–	145,342,080
Rights shares issuing expense	–	(2,873,477)	–	–	(2,873,477)
Issue of shares upon exercise of warrants	599,832	19,794,456	–	–	20,394,288
Issue of shares upon exercise of share options, and option fee	1,762,246	6,158,969	–	–	7,921,215
Equity-settled share option scheme	–	–	5,536,800	–	5,536,800
Transfer to reserves upon exercise of share options	–	2,105,364	(2,105,364)	–	–
At 31 December 2007	41,696,758	180,905,965	3,431,436	(25,674,191)	200,359,968

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 31 December 2007, the Company's reserve available for distribution amounted to approximately HK\$155,232,000 (2006: approximately HK\$26,128,000).
- (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. Further information about share-based payments is set out in note 17.



Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK\$	2006 HK\$
Operating activities			
Loss before taxation		(5,088,915)	(1,187,183)
Adjustments for:			
Equity-settled share option expenses		5,536,800	–
Unrealised loss on financial assets at fair value through profit or loss		165,000	–
Interest income		(966,014)	–
Operating cash flow before changes in working capital		(353,129)	(1,187,183)
Increase in interest receivables		(2,932)	–
Increase in trade receivables		(8,922,270)	–
Increase in deposits and prepayment		(222,430)	(18,816)
Increase in accruals		1,166,394	280,037
Net cash used in operating activities		(8,334,367)	(925,962)
Investing activities			
Net (increase)/decrease in financial assets at fair value through profit or loss		(29,253,000)	218,200
Deposit paid for acquisition of available-for-sale investment		(1,000,000)	–
Interest received		966,014	–
Net cash (used in)/from investing activities		(29,286,986)	218,200
Financing activities			
Issue of rights shares, net of expenses		142,468,603	3,293,708
Issue of shares upon exercise of warrants		20,394,288	–
Issue of shares upon exercise of share options, and option fee		7,921,215	–
Net cash from financing activities		170,784,106	3,293,708
Net increase in cash and cash equivalents		133,162,753	2,585,946
Cash and cash equivalents at 1 January		15,718,102	13,132,156
Cash and cash equivalents at 31 December	15	148,880,855	15,718,102

1 GENERAL

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 annual 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").

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as financial assets at fair value through profit or loss are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(c) Financial assets**

The Company's financial assets are mainly classified into financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. All regular way purchase and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

Equity linked notes have been designated at fair value through profit or loss upon initial recognition as they contained embedded derivatives which are not closely related to the host contracts.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivable (including dividend, interest and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets in equity securities or are not classified in any of the other three categories under the scope of HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

For investments where there is no active market and whose fair value cannot be reliably measured, such investments are measured at cost less any impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(e) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(f) Revenue recognition

Sales of investments held for trading are recognised on a trade-date basis when contracts are executed.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Interest income is recognised as it accrues using the effective interest method.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(h) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

(j) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefits plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(k) Employee benefits*(i) Short term employee benefits in the form of leave*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Employee benefits (Cont'd)

(ii) Retirement benefit costs

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the income statement as incurred.

(iii) Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company's operations. Employees (including directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date of which the relevant employees became fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settlement transactions at each balance sheet date until the vesting date reflects the extent to which (i) the vesting period has expired, and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movements in cumulative expense recognised as at the beginning and end of the period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3 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*. These disclosures are set out in note 20.

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. These new disclosures are set out in note 16.

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 treasury 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.

4 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Company's accounting policies, the Company's management has made judgments and estimates based on past experiences, expectations of the future and other information. The key sources of estimation and critical judgments that may significantly affect the amounts recognised in the financial statements are disclosed below:

Estimate of impairment of investment in unlisted debts and securities

In the absence of information of an active market for unlisted debts and securities, the directors of the Company determine the amount within a range of reasonable impairment estimates by considering information from a variety of sources including:

- (i) Bi-annual review on the operating results and net asset value of an invested entity on balance sheet date;
- (ii) Historical operating performance and dividend distribution of the invested entity; and
- (iii) Gearing position and liquidity to meet working capital requirement of an invested entity.

Share-based payment expenses

The share-based payment expense is subject to the limitations of the Binomial Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

5 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 of financial assets at fair value through profit or loss	54,704,781	940,681
	55,670,795	1,304,530

The comparative figures were restated to conform with current year 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.

6 STAFF COSTS

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Directors' fees	46,806	53,096
Salaries and allowances	186,581	–
Equity-settled share options expenses	2,537,700	–
Contribution to retirement benefits scheme	6,079	–
	2,777,166	53,096

7 OTHER OPERATING EXPENSES

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Auditors' remuneration	85,000	70,000
Licence fee	612,000	612,000
Listing fee	197,750	145,000
Legal and professional fee	911,643	293,809
Printing and stationery	767,176	161,181
Contribution to retirement benefits scheme	6,079	–
Others	521,224	211,499
	3,100,872	1,493,489

8 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.

9 DIVIDENDS

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

10 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.

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the years ended 31 December 2007 and 2006 is set as follows:

	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Employee share option benefits HK\$	Retirement scheme contribution HK\$	2007 Total HK\$
Executive directors					
Xiang Xin	5,000	–	307,600	–	312,600
Chan Cheong Yee	5,000	–	307,600	–	312,600
Kwok Chi Hung (note a)	4,167	–	153,800	–	157,967
Ng Tin Sang (note a)	4,167	–	153,800	–	157,967
Lin Zhiqun Brett (note b)	3,472	–	–	–	3,472
Wong Chak Keung (note c)	–	65,217	307,600	1,630	374,447
Non-executive directors					
Wang Qing Yu	5,000	–	153,800	–	158,800
Ng Kwong Chue, Paul	5,000	–	153,800	–	158,800
Independent non-executive directors					
Wang Xin, David	5,000	–	307,600	–	312,600
Zang Hong Liang	5,000	–	307,600	–	312,600
Lee Wing Hang	5,000	5,000	307,600	–	317,600
	46,806	70,217	2,460,800	1,630	2,579,453

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Employee share option benefits HK\$	Retirement scheme contribution HK\$	2006 Total HK\$
Executive directors					
Xiang Xin	5,000	–	–	–	5,000
Ng Kwok Chue, Paul (note d)	1,644	–	–	–	1,644
Chan Cheong Yee	5,000	–	–	–	5,000
Kwok Chi Hung	5,000	–	–	–	5,000
Ng Tin Sang	5,000	–	–	–	5,000
Si Wei (note e)	1,658	–	–	–	1,658
Lin Zhiqun Brett	3,342	–	–	–	3,342
Non-executive directors					
Yap Shun Chung (note f)	4,328	–	–	–	4,328
Wang Qing Yu	5,000	–	–	–	5,000
Ng Kwong Chue, Paul (note d)	3,356	–	–	–	3,356
Independent non-executive directors					
Wang Xin, David	5,000	–	–	–	5,000
Zang Hong Liang	5,000	–	–	–	5,000
Wong Wang Tai (note g)	3,631	–	–	–	3,631
Lee Wing Hang (note h)	137	–	–	–	137
	53,096	–	–	–	53,096

Notes :

- (a) Mr. Kwok Chi Hung and Mr. Ng Tin Sang resigned executive directors on 1 November 2007
- (b) Mr. Lin Zhiqun Brett resigned executive director on 10 September 2007
- (c) Mr. Wong Chak Keung was appointed as executive director on 12 November 2007
- (d) Mr. Ng Kwok Chue, Paul was redesignated as non-executive director on 2 May 2006
- (e) Mr. Si Wei resigned executive director on 2 May 2006
- (f) Mr. Yap Shun Chung resigned non-executive director on 13 November 2006
- (g) Mr. Wong Wang Tai resigned independent non-executive director on 23 September 2006
- (h) Mr. Lee Wing Hang was appointed as independent non-executive director on 22 December 2006

11 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2007 and 2006.

During the year, certain directors were granted share options, in respect of their services to the Company, under the share options schemes of the Company, further details of which are set out in note 17. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and included in the above directors' remuneration disclosures. No share options were granted to the directors in 2006.

Of the five individuals with the highest emoluments in the Company, all (2006: all) are directors of the Company whose emoluments are included in the disclosure set out above.

Other than the granting of share options to certain directors and employees during the year ended 31 December 2007, no emoluments were paid by the Company to any of the directors or the five highest paid individuals, as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2007 and 2006.

12 AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK\$	2006 <i>HK\$</i>
Unlisted equity securities	13,500,225	13,500,225
Unlisted convertible notes	–	8,928,045
Less: impairment loss recognised	–	8,928,045
	–	–
	13,500,225	13,500,225

12 AVAILABLE-FOR-SALE INVESTMENTS (Cont'd)

The following is a list of the Company's investments as at 31 December 2007:

Unlisted equity securities

Name of invested company	2007			% of total assets of the Company	2006
	Cost HK\$	Impairment loss recognised HK\$	Carrying amount HK\$		Carrying amount HK\$
Jinan LuGu (HK) Technology Development Limited (note (i))	9,000,225	–	9,000,225	4.5%	9,000,225
SNG Hong Kong Limited (note (ii))	9,000,000	4,500,000	4,500,000	2.2%	4,500,000

Notes:

(i) Jinan LuGu (HK) Technology Development Limited ("LuGu")

LuGu is incorporated in Hong Kong and principally engaged in investment holding. It indirectly holds 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·陶瓷電子元(組)件.

The Company holds 250 ordinary shares in LuGu, representing 25% interest in the issued share capital of LuGu. The investment in LuGu is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

LuGu is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in LuGu is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2006: nil).

(ii) SNG Hong Kong Limited ("SNG")

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 investment in SNG is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

SNG is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in SNG is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2006: nil).

13 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	–
Interest receivables	8,922,270 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.

14 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.

15 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 amounts of the cash and cash equivalent approximate to their fair value.

16 SHARE CAPITAL

(a) Authorised and issued share capital

	2007		2006	
	Number of shares	Amount <i>HK\$</i>	Number of shares	Amount <i>HK\$</i>
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

16 SHARE CAPITAL *(Cont'd)***(a) Authorised and issued share capital** *(Cont'd)*

Details of the movements in the Company's share capital during the year ended 31 December 2007 are as follows:

- (i) Pursuant to an ordinary resolution passed on 9 October 2007, the authorised share capital of the Company was increased to HK\$50 million by the creation of 3,000 million shares of HK\$0.01 each.
- (ii) The Company completed a rights issue on 5 November 2007, which raised gross proceeds of HK\$145.3 million by issuing 3,633,552,000 rights shares at HK\$0.04 each.
- (iii) Pursuant to a subscription agreement dated 16 August 2007, the Company issued 59,983,200 unlisted warrants ("Warrants") at a price of HK\$0.01 per warrant to a third party (the "Subscriber"). The Warrants entitle the holder to subscribe up to an aggregate amount of HK\$19,794,456 for new shares of the Company at an initial subscription price of HK\$0.33, subject to adjustment, at any time from the date of issue until the third anniversary of the issue date. Subsequently, the Subscriber assigned the Warrants to another third party (the "Warrants holder"). The Warrants were fully exercised and the Company issued 59,983,200 shares of HK\$0.01 each on 19 September 2007 to the Warrants holder.
- (iv) During the year, part of the share options granted were exercised for 3,456,000 shares, 56,138,553 shares and 116,630,000 shares of HK\$0.01 each at exercise price per share of HK\$0.2083, adjusted exercise prices per share of HK\$0.0244 and HK\$0.05 respectively, which raised gross proceeds of HK\$7.9 million.

(b) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total borrowing (including current and non current borrowings) less cash and cash equivalents. Capital includes equity attributable to equity shareholders.

During 2007, the Company's strategy, which was unchanged from 2006, was to maintain a gearing ratio of zero. The gearing ratios at 31 December 2007 and 2006 were zero as the Company has no borrowing or debt.

17 SHARE OPTIONS

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the “Scheme”), 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 and 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.

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.

Details of the options granted under the Scheme and outstanding at 31 December 2007 are as follows:

Date of grant	Exercise period	Number of share options				Exercise during the year	Outstanding as at 31 December 2007 (adjusted)	Price per share to be paid on exercise of options HK\$ (adjusted)
		Outstanding as at 1 January 2007	Granted during the year	Adjustment (note i)	Outstanding as at 31 December 2007 (adjusted)			
29.1.2003	28.8.2003 to 27.8.2013	24,000,000	–	154,837,736	59,594,553 (note ii)	119,243,183	0.0244 (note i)	
18.10.2007	18.10.2007 to 15.10.2010	–	36,000,000	270,720,000	116,630,000	190,090,000	0.0500 (note i)	
		24,000,000	36,000,000	425,557,736	176,224,553	309,333,183		

17 SHARE OPTIONS (Cont'd)

Notes:

- (i) As a result of the Rights issue completed on 5 November 2007 as described in note 16, the number and exercise price of the options were adjusted as follows:

	Option granted on 29.1.2003	Option granted on 18.10.2007
Number of options		
Options outstanding as at 31.10.2007	20,544,000	36,000,000
Adjusted outstanding share options	175,381,736	306,720,000
Exercise price		
Exercise price per share option	HK\$0.2083	HK\$0.4260
Adjusted exercise price per share option	HK\$0.0244	HK\$0.0500

- (ii) The number of options exercised included 3,456,000 options before and 56,138,553 options after the adjustment for Rights issue as described in Note (i) above.

Details of the share options offered and accepted under the Scheme during the year ended 31 December 2007 are as follows:

Participants	Date of grant	Exercise period	Exercise price per share HK\$ (original)	No. of options granted during the year (original)	Closing price before date of grant HK\$
Directors					
Mr. Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010	0.426	2,000,000	0.325
Mr. Chan Cheong Yee	18.10.2007	18.10.2007 to 15.10.2010	0.426	2,000,000	0.325
Mr. Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010	0.426	2,000,000	0.325
Mr. Kwok Chi Hung	18.10.2007	18.10.2007 to 15.10.2010	0.426	1,000,000	0.325
Mr. Ng Tin Sang	18.10.2007	18.10.2007 to 15.10.2010	0.426	1,000,000	0.325
Mr. Wang Qing Yu	18.10.2007	18.10.2007 to 15.10.2010	0.426	1,000,000	0.325

17 SHARE OPTIONS (Cont'd)

Participants	Date of grant	Exercise period	Exercise price per share HK\$ (original)	No. of options granted during the year (original)	Closing price before date of grant HK\$
Mr. Ng Kwong Chue, Paul	18.10.2007	18.10.2007 to 15.10.2010	0.426	1,000,000	0.325
Mr. Wang Xin, David	18.10.2007	18.10.2007 to 15.10.2010	0.426	2,000,000	0.325
Mr. Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010	0.426	2,000,000	0.325
Mr. Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010	0.426	2,000,000	0.325
Others					
Employees	18.10.2007	18.10.2007 to 15.10.2010	0.426	500,000	0.325
Business advisors	18.10.2007	18.10.2007 to 15.10.2010	0.426	19,500,000	0.325
				36,000,000	

As at 31 December 2007, the number of shares issuable under the Scheme represented approximately 7% (2006: approximately 8%) of the Company's shares in issue as at that date.

Note:

- i. The options are measured using the Binomial Pricing Model. The inputs into the Model are summarised as follows:

Date of grant	18.10.2007
Expected volatility	102%
Expected life (year)	3
Risk-free interest rate	3.75%
Expected annual dividend yield	Nil
Fair value per option (HK\$)	0.1538

- ii. The volatility measured at the standard deviation of expected share price is based on statistical analysis of daily shares over the period of three years from the date immediately preceding the grant date. The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the share options and the historical volatility of the Company shares set out above.
- iii. The risk free rate is being yield of 3-year Exchange Fund Note at the date of grant.
- iv. The Company recognised total expenses of approximately HK\$5,536,800 for the year ended 31 December 2007 in relation to share options granted.

18 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.

19 POST BALANCE SHEET EVENTS

- (i) 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.
- (ii) On 14 January 2008, pursuant to the Scheme of the Company, an aggregate of 150,000,000 share options were granted to each respective eligible participants (including directors) at an exercise price of HK\$0.20 per share.
- (iii) 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.

20 FINANCIAL RISK MANAGEMENT

The Company’s major financial instruments include investments in listed and unlisted securities, interest and other receivables and bank balances. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk*Price risk*

The Company’s financial assets at fair value through profit or loss are measured at fair value at each balance sheet date (see note 14). Therefore, the Company is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower, net profit for the year ended 31 December 2007 would increase/decrease by HK\$1,454,000. No sensitivity analysis was presented for 2006 as there was no financial asset at fair value through profit or loss at 31 December 2006.

Interest rate risk

The Company’s exposure to interest rate risk arises primarily from its deposits at bank and cash held in the securities account of a securities company. Bank deposits and cash held in the securities account at variable rates expose the Company to cash flow interest rate risk.

20 FINANCIAL RISK MANAGEMENT (Cont'd)**(i) Market risk (Cont'd)***Interest rate risk (Cont'd)*

The Company currently does not have any interest rate hedging policy. The directors monitor the Company's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

At 31 December 2007, it was estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the company's profit after tax and retained profits by approximately HK\$628,000 (2006: HK\$77,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the Company's exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to the change in foreign exchange rates. The Company's assets and liabilities are denominated in either Hong Kong dollars or United State dollars. The Company does not expect any significant movement in the exchange rate of United State dollars to Hong Kong dollars.

(ii) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are receivables related to unsettled transactions for securities trading of the Company, deposits with banks and a securities company. For banks, deposits are only placed with reputable banks. For receivables related to securities trading and cash balances kept in securities companies, the Company only carries on business with reputable securities companies.

The Company does not provide any guarantees which would expose the Company to credit risk.

(iii) Liquidity risk

The Company enjoyed a strong financial position at the end of 2007, with cash and cash equivalents amounting to HK\$149 million as at 31 December 2007, a significant increase from HK\$16 million as at 31 December 2006.

The Company financed its operations and investment activities with internally generated cash flow, balanced with proceeds from the prior issue of rights shares, issue of shares upon exercise of warrants and share options.

The table below summarise the maturity profile of the Company's financial liabilities at 31 December 2007 and 2006 based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

20 FINANCIAL RISK MANAGEMENT (Cont'd)

(iii) Liquidity risk (Cont'd)

As at 31 December 2007

	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within one year or on demand HK\$
Accruals	1,600,971	1,600,971	1,600,971

As at 31 December 2006

	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within one year or on demand HK\$
Accruals	434,577	434,577	434,577

21 CONNECTED AND RELATED PARTY TRANSACTIONS

	2007 HK\$	2006 HK\$
Investment management fee paid to China Everbright Securities (HK) Limited (note a)	155,139	68,639
Brokerage commission and handling fee paid to China Everbright Securities (HK) Limited (note b)	178,799	5,434
Brokerage commission paid to China Everbright Forex & Futures (HK) Limited (note c)	5,200	–
License fee paid to New Times Investment Management Limited (note d)	612,000	612,000
License deposit paid to New Times Investment Management Limited	102,000	102,000

21 CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

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.
- (b) Brokerage commission rate is charged at the rate ranged from 0.25% to 1% of the value of the transactions. Handling fee is charged at HK\$100 per each IPO application.
- (c) China Everbright Forex & Futures (HK) Limited is a fellow subsidiary of CES. Brokerage commission is charged at the rate of HK\$60 or HK\$100 per each future trading contract.
- (d) The Company has entered into a license agreement with New Times Investment Management Limited ("NTIML"), a company of which a director of the Company, Mr. Xiang Xin is also a director (the "License Agreement"). Pursuant to the License Agreement, the Company was granted the right to occupy an office unit and to use the available furniture, equipment and general administrative services. In return, the Company shall pay a deposit of HK\$102,000 and a monthly license fee of HK\$51,000 to NTIML. The License Agreement commenced on 1 April 2004 and may terminate when 30 days notice is given by either party. The deposit was included in deposit and prepayment in the balance sheet.

Details of compensation of key management personnel are set out in note 11 to the financial statements

22 CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 11 December 2007, the company name was changed from Sino Technology Investments Company Limited to China Innovation Investment Limited with effect from 11 December 2007.