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CHINA INNOVATION INVESTMENT LIMITED

中國創新投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1217)

2008 ANNUAL RESULTS ANNOUNCEMENT

The directors of China Innovation Investment Limited (the "Company") announced the audited annual results of the Company for the year ended 31 December 2008 are as follows:

RESULTS

Revenue for the year ended 31 December 2008 amounted to HK\$17,921,507, representing a 337% increase when compared with the revenue of HK\$4,102,283 (as restated) for the year ended 31 December 2007. The increase was attributable to the growth in the gain on disposal of financial assets at fair value through profit or loss and the dividend income.

Loss attributable to shareholders for the year amounted to HK\$28,164,843, representing a 453% increase from the loss attributable to shareholders of HK\$5,089,915 for the year ended 31 December 2007. The increase in loss for the year was mainly due to share-based payment transactions measured at fair value on the date of granting the share options in the year and fair value change of financial assets at fair value through profit or loss.

INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK\$	2007 HK\$ (restated)
Revenue	2	17,921,507	4,102,283
Gross sales proceeds of financial assets at fair value through profit or loss		237,251,972	54,704,781
Interest income		2,110,612	966,014
Dividend income		1,409,319	–
Gain on disposal of financial assets at fair value through profit or loss		14,401,576	3,136,269
Depreciation		(62,729)	–
Investment manager's fee		(300,000)	(155,139)
Directors' fees		(35,000)	(46,806)
Salaries and allowance		(1,015,005)	(186,581)
Equity-settled share options expenses		(22,186,740)	(5,536,800)
Fair value change of financial assets at fair value through profit or loss		(18,572,769)	(165,000)
Other operating expenses		(2,720,872)	(3,100,872)
Finance costs	3	(1,193,235)	–
Loss before taxation		(28,164,843)	(5,088,915)
Income tax expense	4	–	–
Loss attributable to shareholders		(28,164,843)	(5,088,915)
Basic loss per share (HK cents)	6	(0.58)	(0.56)

BALANCE SHEET

As at 31 December 2008

		2008	2007
	<i>Note</i>	HK\$	<i>HK\$</i>
Non-current assets			
Property, plant and equipment		945,929	–
Available-for-sale investments	7	81,793,715	13,500,225
Loan receivables	7	23,575,500	–
Deposit for acquisition of available-for-sale investment		–	1,000,000
		106,315,144	14,500,225
Current assets			
Trade and other receivables	8	–	8,925,202
Deposits and prepayment		650,987	566,657
Financial assets at fair value through profit or loss	9	47,096,316	29,088,000
Cash and cash equivalents	10	104,819,277	148,880,855
		152,566,580	187,460,714
Current liabilities			
Accruals		262,515	1,600,971
Net current assets		152,304,065	185,859,743
Total assets less current liabilities		258,619,209	200,359,968
Capital and reserves			
Share capital	11	51,687,358	41,696,758
Reserves		199,854,485	158,663,210
Total equity		251,541,843	200,359,968
Non-current liabilities			
Zero-coupon convertible bonds	12	7,077,366	–
		258,619,209	200,359,968
Net asset value per share	13	HK\$0.05	HK\$0.05

Notes:

1 ADOPTION OF NEW AND REVISED STANDARDS

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

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. However, the adoption of the amendments to HKAS 39 and the HKFRS 7 “Reclassification of Financial Assets” which were issued in October 2008 and effective from 1 July 2008 has the following impact to the Company’s result and financial position in current year:

An increase in fair value loss directly recognised in the investment revaluation reserve in equity by HK\$14,968,912 and a decrease in fair value loss that would have been recognised in profit or loss for the year by the same amount.

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

HKFRSs (Amendments)	Improvements to HKFRSs ⁷
HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ³
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ¹
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standard ³
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ³
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives ⁵
HK(IFRIC) – INT 13	Customer loyalty programmes ²
HK(IFRIC) – INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁴
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ³
HK(IFRIC) – INT 18	Transfer of assets from customers ⁶

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

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

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

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

⁵ Effective for annual periods ending on or after 30 June 2009

⁶ Effective for transfer on or after 1 July 2009

⁷ Effective for annual periods beginning on or after 1 January 2009, except for the amendments to HKFRS 5, which is effective for annual periods beginning on or after 1 July 2009

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

2 REVENUE

	2008 HK\$	2007 <i>HK\$</i> (restated)
Interest income	2,110,612	966,014
Dividend income	1,409,319	–
Gain on disposal of financial assets at fair value through profit or loss	14,401,576	3,136,269
	17,921,507	4,102,283

In prior year, revenue included sales proceeds of held for trading investments. In current year, the Company has revised the presentation of revenue. The net gain on disposal of held for trading investments are presented within revenue in the income statement. These changes does not have any impact on the results of the Company in respect of the current or prior year. The comparative figures for the year of 2007 have been reclassified 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.

3 FINANCE COSTS

	2008 HK\$	2007 <i>HK\$</i>
Imputed interest expense from zero-coupon convertible bonds	1,193,235	–

4 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:

	2008 HK\$	2007 <i>HK\$</i>
Loss before taxation	(28,164,843)	(5,088,915)
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	(4,647,199)	(890,560)
Tax effect of non-taxable income	(374,732)	(128,666)
Tax effect of non-deductible expense	3,661,209	985,145
Deferred tax assets not recognised	1,360,722	34,081
Income tax expense for the year	–	–

As at 31 December 2008, the Company had unused tax losses of approximately HK\$20,698,000 (2007: HK\$12,305,000) 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.

5 DIVIDENDS

No dividend has been paid or declared by the Company during the year (2007: nil).

6 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\$28,164,843 (2007: HK\$5,088,915) and the weighted average number of 4,870,192,742 (2007: 904,702,921) ordinary shares in issue during the year.

No diluted loss per share has been presented by the Company for the years ended 31 December 2008 and 2007 as the exercise of some of the share options and convertible bonds will give rise to an antidilutive effect.

The other share options and warrants had no dilutive effect as the average market price of ordinary shares during the year did not exceed the exercise price of these share options and warrants.

7 AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK\$	2007 HK\$
Unlisted equity securities (a)	28,624,725	13,500,225
Listed equity securities, Hong Kong, at fair value (b)	53,168,990	–
	81,793,715	13,500,225

(a) The following is a list of the Company's unlisted investments as at 31 December 2008:

Unlisted equity securities

Name of invested company	Cost HK\$	Impairment loss recognised HK\$	2008	% of total assets of the Company	2007
			Carrying amount HK\$		Carrying amount HK\$
Jinan LuGu (HK) Technology Development Limited	9,000,225	–	9,000,225	3.5%	9,000,225
SNG Hong Kong Limited	9,000,000	4,500,000	4,500,000	1.7%	4,500,000
Takenaka Investment Company Limited (note (i))	15,124,500	–	15,124,500	5.8%	–

(i) Takenaka Investment Company Limited ("Takenaka")

Takenaka is incorporated in the British Virgin Islands and principally engaged in investment holding. At 31 December 2008, Takenaka indirectly held 65% interest in a company incorporated in the PRC, of which the principal activity will be manufacturing and distribution of copper foils for civil and military uses.

The Company holds 30 ordinary shares in Takenaka, representing 30% interest in the issued share capital of Takenaka. The investment in Takenaka 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.

Takenaka 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 Takenaka is classified as available-for-sale investment in the financial statements. No dividend was received during the year.

Along with the acquisition of 30% interest in the issued share capital of Takenaka, the Company acquired a shareholder's loan in Takenaka with the amount of US\$3,022,500 (equivalent to approximately HK\$23,575,500). The shareholders' loan is unsecured, interest-free and not repayable in 12 months.

- (b) During the period from 16 January 2008 to 3 October 2008, the Company acquired some Hong Kong listed equity securities amounting to HK\$83,987,987. The investments were classified as financial assets at fair value through profit or loss (“FVTPL”) upon initial recognition as they were held for trading purpose.

Pursuant to the amendments to HKAS 39 and HKFRS 7 “Reclassification of Financial Assets” (the “Amendments”) the Company selected to reclassify the Hong Kong listed equity securities out of the FVTPL to available-for-sale investment (“AFS”) on 30 October 2008 as these shares were no longer held for the trading purpose but for strategic investment purpose as a result of the exceptional turbulence in the world’s financial market. The Amendments permitted the Company to reclassify financial assets on a partially retrospective basis from 1 July 2008, this retrospective basis did not extend to a date before 1 July 2008. The Company has applied the transitional provision of the Amendments to reclassify these shares prospectively on 1 July 2008 or the date of its acquisition, whichever is later (the “Reclassification”). The financial assets being reclassified from FVTPL to AFS amounting to HK\$68,137,902.

Prior to the Reclassification, a fair value loss on the financial assets being reclassified amounting to HK\$15,850,085 has been recognised in profit or loss during the year. The fair value loss recognised in profit or loss to the Reclassification cannot be reversed. Subsequent to the Reclassification, a fair value loss on the financial assets being reclassified amounting to HK\$14,968,912 has been recognised in the investment revaluation reserve in equity. This Reclassification has resulted in an increase in fair value loss directly recognised in the investment revaluation reserve in equity for the year by HK\$14,968,912. Had there been no such Reclassification, HK\$14,968,912 fair value loss would have been recognised in profit or loss for the year. The total fair value loss that would have been recognised in profit or loss for the year if the financial assets had not been reclassified amounted to HK\$30,818,997.

As at 31 December 2008, the carrying amount which was also the fair value of the financial assets being reclassified amount to HK\$53,168,990.

8 TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade receivables at the balance sheet date, based on the invoice date.

	2008	2007
	HK\$	HK\$
Trade receivables		
0 to 30 days	–	8,922,270
	–	8,922,270
Interest receivables	–	2,932
	–	8,925,202

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

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK\$	2007 <i>HK\$</i>
Foreign currency-linked notes	47,096,316	–
Equity-linked notes	–	29,088,000
	47,096,316	29,088,000

Terms of the foreign currency-linked notes outstanding as at 31 December 2008 are as follows:

Notional amount	USD6,400,000
Maturity	22 June 2009

The foreign currency-linked notes will be redeemed by cash only.

The foreign currency-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.

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

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.

10 CASH AND CASH EQUIVALENTS

	2008 HK\$	2007 <i>HK\$</i>
Cash at banks	103,998,984	20,010,268
Cash on hand	500	500
Cash held in the securities account of securities companies	819,793	128,870,087
	104,819,277	148,880,855

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

11 SHARE CAPITAL

(a) Authorised and issued share capital

	2008		2007	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January	5,000,000,000	50,000,000	2,000,000,000	20,000,000
Increase during the year	10,000,000,000	100,000,000	3,000,000,000	30,000,000
At 31 December	15,000,000,000	150,000,000	5,000,000,000	50,000,000
Issued and fully paid:				
At 1 January	4,169,675,753	41,696,758	299,916,000	2,999,160
Issue of rights shares	–	–	3,633,552,000	36,335,520
Issue of shares upon exercise of warrants	–	–	59,983,200	599,832
Issue of shares upon exercise of share options	18,460,000	184,600	176,224,553	1,762,246
Issue of shares upon acquisition of investment	180,600,000	1,806,000	–	–
Issue of shares upon conversion of convertible bonds	800,000,000	8,000,000	–	–
At 31 December	5,168,735,753	51,687,358	4,169,675,753	41,696,758

Details of the movements in the Company's share capital during the year ended 31 December 2008 are as follows:

- (i) Pursuant to an 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 10,000,000,000 shares of HK\$0.01 each.
- (ii) During the year, part of the share options granted were exercised for 18,460,000 shares of HK\$0.01 each at exercise price of HK\$0.05 per share, which raised gross proceeds of approximately HK\$923,000.
- (iii) On 15 December 2007, the Company entered into an acquisition agreement with Mr. Guo Yi Jun (the "Vendor"), pursuant to which, among other things, the Company had conditionally agreed to purchase from the Vendor (i) 30% of the issued share capital of Takenaka Investment Company Limited and (ii) the shareholder's loan in the amount of US\$3,022,500 (equivalent to approximately HK\$23,575,500), for an aggregate consideration of HK\$38.70 million. The consideration would be satisfied as to (i) HK\$11.61 million by cash and (ii) the remaining balance of HK\$27.09 million by the issue of the consideration shares at the issue price of HK\$0.15 per share. Accordingly, 180,600,000 shares of HK\$0.01 each at the issue price of HK\$0.15 were allotted and issued as fully paid on 7 January 2008.

- (iv) On 19 November 2007, the Company entered into a subscription agreement with Harvest Rise Investment 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 would issue 800,000,000 unlisted warrants (“Warrants”) to Harvest Rise at the exercise price of HK\$0.20 per warrant share (subject to adjustment). The CB and the Warrants were issued on 30 January 2008.

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

(b) Capital management

The Company’s objectives in capital management 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 gearing ratio. This ratio is calculated as net debt divided by total equity. 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 2008, the Company’s strategy, which was unchanged from 2007, was to maintain the gearing ratio of zero. The gearing ratios at 31 December 2008 and 2007 were zero as the Company has net cash at 31 December 2008 and has no borrowing or debt at 31 December 2007.

	2008	2007
	HK\$	HK\$
Total borrowings	7,077,366	–
Less: cash and cash equivalents (<i>note 8</i>)	104,819,277	148,880,855
Net cash	(97,741,911)	(148,880,855)

12 ZERO-COUPON CONVERTIBLE BONDS

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

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

The fair value of the liability component, included in non-current liabilities, was calculated based on the estimated discounted cash flow over the remaining contractual terms of the convertible bonds and discounted using a market interest rate for an equivalent non-convertible bond. The discounted rate of the liabilities component of the convertible bonds was 8.85%. The residual amount, representing the value of equity conversion component, was included in shareholders’ equity under “convertible bonds equity reserve”.

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

	<i>HK\$</i>
Face value of convertible bonds	50,000,000
Equity component	(17,278,904)
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Liability component at date of issue	32,721,096
Converted into ordinary shares	(26,836,965)
Imputed interest expense	1,193,235
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Liability component at 31 December 2008	7,077,366
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During the year, convertible bonds with a face value of HK\$40,000,000 were converted into 800,000,000 ordinary shares of the Company at a conversion price of HK\$0.05 per share.

Interest on the bond is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible bond to the liability component of the convertible bond.

The fair value of the liability component of the convertible bonds as at 31 December 2008 amounted to approximately HK\$5,400,000, based on the interest rate for an equivalent non-convertible bond of 19.19% at 31 December 2008.

Pursuant to the terms and conditions of the convertible bonds, so long as any bond remains outstanding, the Company will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure, guarantee or indemnify in respect of any present or future indebtedness of the Company other than loans from banks or licensed or registered financial institutions unless, at the same time or prior thereto, the Company's obligations under the bonds (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the bondholders shall approve by an ordinary resolution.

13 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 2008 of HK\$251,541,843 (2007: HK\$200,359,968) and 5,168,735,753 (2007: 4,169,675,753) ordinary shares in issue at that date.

BUSINESS REVIEW

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the 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 three unlisted companies namely Jinan LuGu (HK) Technology Development Limited, SNG Hong Kong Limited and Takenaka Investment Company Limited which amounting to total cost and carrying value of approximately HK\$33.1 million and HK\$28.6 million respectively. As at 31 December 2008, the Company held listed equity securities in Hong Kong in the fair value of HK\$53,168,990. The Company also held foreign currency – linked notes at the fair value of approximately HK\$47,096,000. The foreign currency – linked notes will be redeemed by cash only.

INVESTMENT PORTFOLIOS

For the year under review, the Company 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 2008, it indirectly held 59.5% interest in a company incorporated in the PRC, of which the principal activity will be 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 2008, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片. 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.

Takenaka Investment Company Limited ("Takenaka Investment") is incorporated in the British Virgin Islands and principally engaged in investment holding. 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 will be principally engaged in the manufacture and sale of copper foil materials for both civil and military uses. The acquisition of Takenaka Investment was completed in January 2008 in the aggregate amount of HK\$38.7 million by cash payment of HK\$11.61 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. It represented (i) 30% of the issued share capital in the amount of HK\$15,124,500 and (ii) the shareholders' loan in the amount of HK\$23,575,500 in Takenaka Investment. The Company did not receive any dividend from Takenaka Investment during the year.

As at 31 December 2008, the Company held listed equity securities in Hong Kong in the fair value of HK\$53,168,990. As at 31 December 2008, the Company also held foreign currency-linked notes at the fair value of approximately HK\$47,096,000. The foreign currency-linked notes will be redeemed by cash only.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2008, the Company had cash and bank balances of approximately HK\$104,819,000. 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 excluding zero-coupon convertible bonds. 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 2008. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

FOREIGN CURRENCY FLUCTUATION

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 2008, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

PROSPECTS

2009 would be a difficult year for China and Hong Kong, given the severe challenges facing the global economy. With the Chinese government eased fiscal and monetary policies to support the economy, there are signs that business conditions might have stabilised for the moment and investor confidence restored. China would most likely be the region that will be able to maintain its stable economic performance in the global market. The Board of the Company would meet the challenges in 2009 and is optimistic to capture any opportunities. The Company will continue to explore the investment opportunities especially in China to achieve medium-term capital appreciation.

POST BALANCE SHEET EVENTS

- (i) On 2 January 2009, the Company acquired a 3 months equity-link-note for the face value of HK\$50,000,000 with interest rate of 20% per annum that matured on 17 April 2009. The principal was fully recovered with respective interest income.
- (ii) On 13 February 2009, the Company entered into a preliminary sale and purchase agreement with Man Yue Electronics Company Limited for the acquisition of a property at the consideration of HK\$30,000,000.
- (iii) On 2 March 2009, the Company entered into a subscription agreement with Moral Glory Limited ("MGL"), a company incorporated in Hong Kong, pursuant to which the Company committed to acquired convertible note with face value of HK\$50,000,000 from MGL. The convertible note will mature on the fifth anniversary date from the first payment requisition notice issued by MGL to the Company. The total interest to be charged is composed of a fixed rate interest of 1% per annum on the principal and a participating interest of 50% on the annual post tax profit of MGL and its subsidiary of which the participating interest will be capped at no more than 59% on the principal per annum. In accordance with the terms and conditions of the agreement, upon maturity of the convertible note, the Company has the right to convert the convertible note to an equity interest of 90% of the then issued share capital of MGL, excluding the voting right of the respective shares. Up to the date of this report, the acquisition has not been completed which is subject to the fulfilling of those prerequisite stated in the agreement.

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 2008.

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.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") of the Company is committed to establishing and maintaining high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders. The Company devotes to best practice on corporate governance, and to comply with the extent practicable, with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year ended 31 December 2008 and up to the date of this announcement, the Company has complied with the code provisions in the Code, save for deviation from Codes A4.1.

- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election.

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.

REVIEW OF ACCOUNTS

The audit committee examined the accounting principles and practices adopted by the Company and discussed with the management its internal controls and accounts. The audit committee has reviewed the audited financial statements of the Company for the year ended 31 December 2008.

PUBLICATION OF ANNUAL REPORT

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

COMPARATIVE FIGURE

The comparative figure of the turnover in 2007 has been restated to conform with current year presentation.

By order of the Board

China Innovation Investment Limited

Xiang Xin

Executive Director and Chief Executive Officer

Hong Kong, 27 April 2009

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