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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)

2009 INTERIM RESULTS ANNOUNCEMENT

The board (the “Board”) of directors (the “Directors”) of China Innovation Investment Limited (the “Company”) are pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2009 with comparative figures for the corresponding period of 2008 as follows:

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)
REVENUE	3	10,106,425	14,505,006
Gross sales proceeds of financial assets at fair value through profit or loss		99,593,600	198,888,130
Interest income		6,393,079	517,401
Dividend income		432,480	394,320
Gain on disposal of financial assets at fair value through profit or loss		2,497,284	13,593,285
Gain on disposal of available-for-sale investment		322,317	–
Other income		461,265	–
Depreciation		(100,866)	–
Investment manager's fee		(150,000)	(150,000)
Directors' emoluments		(323,514)	(17,514)
Equity-settled share option expenses		–	(22,951,800)
Fair value change of financial assets at fair value through profit or loss		–	(15,685,084)
Administrative and other operating expenses	4	(1,839,367)	(1,848,888)
Finance cost	5	(378,379)	(1,142,456)
PROFIT/(LOSS) BEFORE TAXATION		7,314,299	(27,290,736)
Tax	6	–	–
PROFIT/(LOSS) FOR THE PERIOD		7,314,299	(27,290,736)
Profit/(loss) for the period attributable to equity holders of the Company		7,314,299	(27,290,736)
EARNING/(LOSS) PER SHARE (in HK cents)			
Basic	7	0.14	(0.60)
Diluted	7	0.14	N/A

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	7,314,299	(27,290,736)
Other comprehensive income		
Change in fair value of available-for-sale investments	17,659,274	–
Realised gain upon disposal of available-or-sale investment in income statement	(3,288,682)	–
Other comprehensive income for the period, net of tax	14,370,592	–
Total comprehensive income/(loss) for the period	21,684,891	(27,290,736)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company	21,684,891	(27,290,736)

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	<i>Notes</i>	30 June 2009 HK\$ (Unaudited)	31 December 2008 HK\$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		32,153,863	945,929
Available-for-sale investments	8	123,261,625	81,793,715
Loan receivable		23,575,500	23,575,500
		178,990,988	106,315,144
CURRENT ASSETS			
Deposits and prepayment		935,289	650,987
Other receivable		5,057,534	–
Deposit for acquisition of available-for-sale investment		2,500,000	–
Financial assets at fair value through profit or loss		–	47,096,316
Cash and cash equivalents	9	112,449,949	104,819,277
		120,942,772	152,566,580
CURRENT LIABILITIES			
Accruals		144,781	262,515
Other payable		19,000,000	–
		19,144,781	262,515
NET CURRENT ASSETS		101,797,991	152,304,065
TOTAL ASSETS LESS CURRENT LIABILITIES		280,788,979	258,619,209
EQUITY			
Share capital	10	51,708,658	51,687,358
Reserves		221,624,576	199,854,485
Total equity		273,333,234	251,541,843
NON-CURRENT LIABILITIES			
Zero-coupon convertible bonds	11	7,455,745	7,077,366
		280,788,979	258,619,209
Net asset value per share	12	HK\$0.05	HK\$0.05

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 Corporate information

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands and the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC").

2 Basis of preparation

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

The unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2008.

Summary of significant accounting policies

The unaudited interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, HKAS and Interpretations) as disclosed below.

New and amended HKFRSs

From 1 January 2009, the Company has applied for the first time all the new and amended HKFRSs which are relevant to and effective to the Company's financial statements for the annual financial period beginning on 1 January 2009.

Other than as noted below, the adoption of these new and revised HKFRSs did not result in significant changes in the Company's accounting policies.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Company's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

The Company has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged item ¹
HKFRS 1 (Revised)	First-time adoption of HKFRSs ¹
HKFRS 2 (Amendment)	Share-based Payment – group cash-settled share-based payment transactions ²
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC) – INT 13	Customer loyalty programmes ¹
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) – INT 18	Transfers of assets from customers ³
Various	Improvements to HKFRS ⁴

Notes:

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

² Effective for annual periods beginning on or after 1 January 2010.

³ Effective for transfers on or after 1 July 2009.

⁴ Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS.

3 Revenue

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest income	6,393,079	517,401
Dividend income from listed securities	432,480	394,320
Gain on disposal of financial assets at fair value through profit or loss	2,497,284	13,593,285
Gain on disposal of available-for-sale investment	322,317	–
Other income	461,265	–
	10,106,425	14,505,006

In prior period, revenue included sales proceeds of held for trading investments. In current period, the Company has revised the presentation of revenue. The net gain on disposal of financial assets at fair value through profit or loss and available-for-sale investments are presented within revenue in the condensed income statement. These changes did not have any impact on the results of the Company in respect of the current or prior period. The comparative figures for the period of 2008 have been reclassified to conform with current period presentation.

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

4 Administrative and other operating expenses

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Administrative and other operating expenses include the following:		
Auditors' remuneration	–	35,607
Minimum lease payments under operating lease in respect of land and buildings	480,000	–
Legal and professional fee	–	77,450
License fee	–	306,000
Listing fee	224,500	232,236
Employee benefit expense, including directors' remuneration		
– wages, salaries and others	931,831	382,687
– provision scheme contribution	27,155	12,259
	958,986	394,946

5 Finance cost

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Imputed interest expenses from zero-coupon convertible bonds	378,379	1,142,456

6 Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 as the Company have available tax losses to offset against current period's estimated assessable profits.

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2008 as the Company did not generate any assessable profits.

7 Earning/(loss) per share

Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$7,314,299 (2008: loss of HK\$27,290,736) and the weighted average number of approximately 5,169,206,000 (2008: 4,573,686,000) shares in issue during the period.

Diluted

The calculation of diluted earnings per share attributable to equity holders of the Company for the six months ended 30 June 2009 is based on the following:

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Earnings		
Earnings/(loss) for the purpose of basic earnings/(loss) per share	7,314,299	(27,290,736)
Imputed interest expenses from zero-coupon convertible bonds	378,379	1,142,456
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	7,692,678	(26,148,280)

	'000	'000
Number of shares		
Weighted average number of ordinary shares	5,169,206	4,573,687
Effect of dilutive potential ordinary shares		
– share options (<i>note</i>)	126,174	N/A
– convertible bonds	200,000	N/A
– warrants (<i>note</i>)	–	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,495,380	N/A

No diluted loss per share has been presented by the Company for the six months ended 30 June 2008 as the exercise of some of the share options and convertible bonds will give rise to an anti-dilutive effect.

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

8 Available-for-sale investments

	30 June 2009 HK\$ (Unaudited)	31 December 2008 HK\$ (Audited)
Unlisted equity securities, at carrying value	68,624,725	28,624,725
Listed equity securities, Hong Kong, at fair value	54,636,900	53,168,990
	123,261,625	81,793,715

9 Cash and cash equivalents

	2009 HK\$ (Unaudited)	2008 HK\$ (Audited)
Cash at banks	97,511,059	103,998,984
Cash on hand	500	500
Cash held in the securities account of securities companies	14,938,390	819,793
	112,449,949	104,819,277

10 Share capital

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each ("Shares")		
Authorised:		
At 1 January 2009 and 30 June 2009	15,000,000,000	150,000,000
Issued and fully paid:		
At 1 January 2009	5,168,735,753	51,687,358
Issue of shares upon – exercise of share option	2,130,000	21,300
At 30 June 2009	5,170,865,753	51,708,658

During the period, part of the share options granted were exercised for 2,130,000 Shares at exercise price per share of HK\$0.05 which raised gross proceeds of HK\$106,500.

11 Zero-coupon convertible bonds

On 30 January 2008, the Company issued zero-coupon convertible bonds due on 29 January 2013 in the aggregate principal amount of HK\$50,000,000 with a conversion price of HK\$0.05 per 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 convertibles 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 statement of financial position were calculated as follows:

	30 June 2009 HK\$ (Unaudited)	31 December 2008 HK\$ (Audited)
Face value of convertible bonds	50,000,000	50,000,000
Equity component	(17,278,904)	(17,278,904)
Liability component at the date of issue	32,721,096	32,721,096
Converted into ordinary shares	(26,836,965)	(26,836,965)
Accumulated Interest expenses recognised	1,571,614	1,193,235
Liability component at balance sheet date	7,455,745	7,077,366

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 bonds.

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 ratably 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.

12 Net assets value per share

The calculation of net asset value per share is based on the net asset value of the Company as at 30 June 2009 of HK\$273,333,234 (31 December 2008: HK\$251,541,843) and 5,170,865,753 (31 December 2008: 5,168,735,753) ordinary shares in issue at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2009, the Company recorded a total revenue of HK\$10,106,425 (2008: HK\$14,505,006). This decrease in revenue was mainly due to decrease in the gain on disposal of financial assets.

The profit for the six months ended 30 June 2009 was HK\$7,314,299 while the loss for the corresponding period of 2008 was HK\$27,290,736.

Investment portfolio review

The Company is an investment holding company under Chapter 21 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"). Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China ("PRC").

During the six months ended 30 June 2009, the Company continued to hold investments in three unlisted companies namely Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu"), SNG Hong Kong Limited ("SNG") and Takenaka Investment Company Limited ("Takenaka") of which the carrying value of the investment portfolio amounting to HK\$28,624,725.

Jinan LuGu is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2009, Jinan LuGu indirectly held 59.5% interest in a company incorporated in the PRC of which its principal activity is manufacturing and trading of 陶瓷微電路基板 (Ceramic Microcircuit Substrates), 微電路模塊 (Microcircuit Modules), 陶瓷電子元(組)件 (Ceramic Electronic Apparatus Parts (Discreteness)). The Company holds 250 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu. No dividend was received during the period (2008: nil) under review.

SNG is incorporated in Hong Kong and principally engaged in investment holding. As at 30 June 2009, SNG indirectly held 38.5% interest in a company incorporated in the PRC, of which its principal activity is manufacturing and trading of 發光二極管芯片 (LED Chips). The Company holds 3,750 ordinary shares in SNG, representing 30% interest in the issued share capital of SNG. No dividend was received during the period (2008: nil) under review.

Takenaka is incorporated in British Virgin Islands and principally engaged in investment holding. As at 30 June 2009, Takenaka indirectly held 19.5% interest in a company incorporated in the PRC, of which the principal activity is manufacture and distribution of copper foils for civil and military uses. The Company holds 30 ordinary shares in Takenaka, representing 30% interest in the issued share capital of Takenaka and has contributed its shareholders' loan in the amount of HK\$23,575,500 in Takenaka. No dividend was received during the period (2008: nil) under review.

On 3 October 2008, the Company entered into a legally binding agreement with Morgan Strategic Limited (“MSL”), a company incorporated in the British Virgin Islands, pursuant to which the Company committed to acquire convertible note with face value of HK\$40,000,000 from MSL. The convertible note will mature on the fifth anniversary date from the first payment requisition notice issued by MSL to the Company with an interest rate of 5% 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 80% of the then issued share capital of MSL, excluding the voting right of the respective shares. As at 30 June 2009, an aggregate of HK\$21,000,000 was paid by the Company as requested by MSL and the balance of HK\$19,000,000 was presented as other payable in the condensed statement of financial position.

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. As at 30 June 2009, the acquisition has not been completed which is subject to the fulfilling of those prerequisites stated in the agreement and a refundable deposit of HK\$2,500,000 had been paid by the Company pursuant to the agreements signed between the Company and MGL.

As at 30 June 2009, the Company also held listed equity investments in Hong Kong at the fair value of HK\$54,636,900.

During the period under review, the Company acquired a property in Hong Kong at the consideration of HK\$30,000,000 for investment purpose.

As at the date of this result announcement, the Company continued to hold the above mentioned investments in its investment portfolio. The Board is of the view that the business operations and the performance of such investments will grow with the economy in the PRC in the foreseeable future.

Prospect

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

Liquidity and financial resources and gearing

As at 30 June 2009, the Company had cash and cash equivalents of HK\$112,449,949. All the cash and cash equivalents were mainly placed as short term deposits in Hong Kong dollars with banks and securities companies in Hong Kong.

For the period under review, the Company financed its operations with its own available funding and did not have any banking facilities other than zero-coupon convertible bonds. In this regard, the Company had a net cash position and its gearing ratio was zero (net debt to shareholders' funds) as at 30 June 2009. Taking into consideration the existing financial resources of the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

Capital structure

Details in the changes of the capital structure of the Company during the six months ended 30 June 2009 are set out in note 10 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2009.

Foreign currency fluctuation

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

Charge on assets

As at 30 June 2009, the Company did not pledge its assets.

Contingent liabilities

As at 30 June 2009, the Company did not have any significant contingent liabilities.

Employee

As at 30 June 2009, the Company had 6 (2008: 3) employees.

Interim dividend

To maintain the capital for operation and potential investment opportunities, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009.

Purchase, sale or redemption of the Company's listed securities

During the six months ended 30 June 2009, the Company had not purchased, sold or redeemed any of its listed securities.

Corporate governance

Code on Corporate Governance Practices

The Company had complied with the Code on Corporate Governance Practice ("Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2009, save for deviation from Code A.4.1.

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

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including Independent Non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Subsequent to the balance sheet date, Mr. Xiang has been elected by the Board to replace Mr. Wang Qing Yu as the chairman of the Company effective on 1 August 2009. Mr. Xiang performs both of the roles as the chairman and the chief executive officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

Model code on securities transactions by Directors

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

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

Audit committee

The audit committee (the "Audit Committee") was established by the Board since the listing of the Company's shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference in compliance with the Code as set out in the Listing Rules. As at the date of this interim result announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang. The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting system and internal control procedures and review of the Company's financial information.

The Company's interim result announcement for the six months ended 30 June 2009 has been reviewed by the Audit Committee.

By Order of the Board
China Innovation Investment Limited
Xiang Xin
Chairman and Chief Executive Officer

Hong Kong, 11 September 2009

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