



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)



Interim Report 2010



CONTENTS

	Page
FINANCIAL HIGHLIGHTS	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
ADDITIONAL INFORMATION	
Disclosure of Interests by Directors	6
Disclosure of Interests by Substantial Shareholders	9
Other Information	10
FINANCIAL INFORMATION	
Condensed Income Statement	12
Condensed Statement of Comprehensive Income	13
Condensed Statement of Financial Position	14
Condensed Statement of Changes in Equity	15
Condensed Statement of Cash Flows	17
Notes to the Condensed Financial Statements	18
CORPORATE INFORMATION	28

FINANCIAL HIGHLIGHTS



The board (the “Board”) of directors (the “Directors”) of China Innovation Investment Limited (the “Company”) are pleased to announce the unaudited interim results of the Company for the six months ended 30 June 2010 with comparative figures for the corresponding period of 2009 as follows:

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Revenue	187,505	10,106,425
Gross sales proceeds of financial assets at fair value through profit or loss	5,892,268	99,593,600
(Loss)/profit for the period and attributable to owners of the Company	(4,120,242)	7,314,299
(Loss)/earnings per share (in HK cents)		
Basic	(0.06)	0.14
Diluted	N/A	0.14

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 2010.

MANAGEMENT DISCUSSION AND ANALYSIS



Financial review

For the six months ended 30 June 2010, the Company recorded a total revenue of HK\$187,505 (2009: HK\$10,106,425). This decrease in revenue was mainly due to the loss on disposal of financial assets at fair value through profit or loss and the decrease in interest income.

The loss for the six months ended 30 June 2010 was HK\$4,120,242 while the profit for the corresponding period of 2009 was HK\$7,314,299.

Business review

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the six months ended 30 June 2009, there was interest income in the amount of approximately HK\$3,964,000 and HK\$1,917,000 earned from foreign currency-linked notes and the structured deposit linked with the shares of HSBC Holdings plc respectively. There was no similar structured deposit being made during the six months ended 30 June 2010. As a result, there was a sharp decrease in interest income by approximately 86.5% during the six months ended 30 June 2010 when compared to the corresponding period in 2009.

During the six months ended 30 June 2009, there was a gain of approximately HK\$2,497,000 recognized upon disposal of the foreign currency-linked notes. During the six months ended 30 June 2010, there was the loss on disposal of financial assets in the amount of approximately HK\$1,158,000 arising from the trading in Heng Sang index futures and the unrealized loss in the amount of approximately HK\$1,316,000 arising from the fair value change of an equity forward contract with the underlying stock linked with the shares of HSBC Holdings plc.

As at 30 June 2010, the Company held investments in four unlisted companies namely Topsun Creation Limited, Dooda Innovation Limited, United Crown Century Company Limited and Blue Angel (H.K.) Limited, which amounting to total cost and carrying values of HK\$104,477,725 and HK\$99,977,725 respectively. The Company also held Hong Kong listed equity security and the financial assets at fair value through profit or loss in the fair value of HK\$33,898,800 and HK\$2,530,000 respectively.

Operational review

On 30 April 2010, the Company entered into a termination agreement with Kenon Holdings Limited, whereby the parties have agreed to terminate the framework agreement in connection to the acquisition of a substantial portion of the issued share capital of C.G.E. (H.K.) Co., Limited ("CGE"), which was mainly attributable to the need of internal reorganization of the shareholdings in CGE. The termination agreement will provide flexibility to the parties in seeking for further cooperation.

On 7 June 2010, the Company and China Trends Holdings Limited ("China Trends", stock code: 8171.HK) jointly announced that (1) 多達創新(中國)科技發展有限公司 (transliterated as Dooda Innovation (China) Technology Development Limited) ("Dooda China"), an investment in the PRC made by the Company, through Dooda Innovation Limited, (2) 博思(中國)信息系統有限公司 (transliterated as Boss (China) Information Systems Limited) ("Boss China"), a PRC subsidiary of China Trends, and (3) 惠州TCL光源科技有限公司 (transliterated as Huizhou TCL Lighting Appliance Technology Limited) ("Huizhou TCL"), a member of TCL Corporation (the shares of which are listed on The Shenzhen Stock Exchange with stock code: 000100), entered into a strategic cooperation framework agreement to establish strategic cooperation

MANAGEMENT DISCUSSION AND ANALYSIS



for research and development, production, sales and distribution of energy-saving LED products, in particular areas such as energy management contract (“CEM”) mode, in order to gain mutual benefits from sharing resources.

On 29 June 2010, the Company and China Trends jointly announced that the Company, China Trends and 中國東方數控公司 (transliterated as China Oriental Numerical Control Company Limited (“China Oriental Numerical Control”), a subsidiary of China North Industries Group Corporation, a state-owned enterprise under the direct administration of Central Government and is a military organisation authorised by the State, entered into a Letter of Intent to cooperate in areas such as running and marketing of CEM operation mode for applying new energy system on solar electric cars.

Prospect

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

Leveraging on our experience and well-connected network in the Mainland market over years, the Company accelerates its pace apparently in investing in military and civil dual-used charge storage batteries, new models of lighting products, eco-equipment materials and energy-saving media terminals respectively. With energy conservation as our development goal, we have achieved breakthroughs in realizing the military and civil dual-application in real projects.

By investing in the industries of “New Energy”, “New Light”, “New Materials” and “New Media”, our objective is to form energy conservation solutions integrated with military and civil dual-application technology, such as solar photovoltaic energy, LED lighting, energy conserving materials and energy-saving media terminals, and to introduce innovative products to the market, including solar electric cars, solar energy electronic books and solar energy advertising screens.

For “New Energy”, the Company completed the acquisition of Topsun Creation Limited (“Topsun”), which adopts the power reserve patent technology of military aviation as its own core to develop the strategy of “Production - Research - Preliminary Research” for the research and manufacturing of solar photovoltaic system (the “System”). With features of high capacity, fully sealed and maintenance-free, the System is widely used in tanks, submarines, barracks and civil vehicles as well as construction, etc. It possesses a large room for growth and enormous development potential in both civil and military markets.

For “New Light”, the Company completed the investment in Dooda Innovation Limited (“Dooda”), and was given with preference to make investment in China Opto-Electro Industries Co., Ltd, a subsidiary of CNGC (中國兵器工業集團). Dooda is principally engaged in design and sales of LED lighting products, possessing the capacity of research and development as well as sales of LED backlight and lighting products. Following the growing concern of green energy around the world, LED is gradually becoming the new light source, and the LED industry will demonstrate robust development in the future.

For “New Materials”, the Company completed the investment in United Crown Century Company Limited (“United Crown Century”), which has duly entered into the market of military and civil dual-used energy-saving materials after reorganization. Such company is mainly engaged in research and development of energy-saving eco-materials for walls, and is a pioneer in the new energy-saving eco-materials industry in the Mainland.

MANAGEMENT DISCUSSION AND ANALYSIS



For “New Media”, with key investments in “New Energy”, “New Light” and “New Materials” as aforesaid, the Group plans to further innovate and apply these three new resources industries. The invested company, Blue Angel (H.K.) Limited (“Blue Angel”), has completed reorganization during the first half of the year and will be mainly engaged in producing and assembly of new products such as solar electric cars, solar energy electronic books and solar energy advertising screens with the use of solar energy and LED technologies, so as to develop a completed industry chain of four new energy and provide a one-stop production setting with synergy effect.

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

Liquidity and financial resources and gearing

As at 30 June 2010, the Company had cash and cash equivalents of HK\$75,239,349. All the cash and cash equivalents were mainly placed as short term deposits in Hong Kong dollars with banks and securities companies in Hong Kong.

For the period under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio was zero (net debt to shareholders’ funds) as at 30 June 2010. 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 2010 are set out in note 11 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2010.

Foreign currency fluctuation

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

Charge on Company asset and contingent liabilities

As at 30 June 2010, the Company has not pledge its assets and the Company did not have any significant contingent liabilities.

Employee information

As at 30 June 2010, the Company had 10 (2009: 6) employees.

Appreciation

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

On behalf of the Board

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong, 24 August 2010

ADDITIONAL INFORMATION



Disclosure of Interests by Directors

As at 30 June 2010, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

(i) Long position in the Shares

Name	Interest in Shares	Capacity	Approximate percentage of interests
Xiang Xin ("Mr. Xiang")	1,723,335,379	Corporate interests (<i>note 1</i>)	26.19%
Wong Chak Keung	10,656,000	Beneficiary	0.16%
Lee Wing Hang	1,000,000	Beneficiary	0.01%

Note:

1. The 1,723,335,379 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

ADDITIONAL INFORMATION



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

Name	Date of grant	Exercise period	Number of share options outstanding as at 30 June 2010	Exercise price per share	Number of total underlying Shares	Approximate percentage of interests
Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500	22,040,000	0.33%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Chan Cheong Yee	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	0.2000	20,000,000	0.30%
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010	6,384,000	0.0500	26,384,000	0.40%
	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	0.2000		
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	23,764,262	0.36%
	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	0.0500		
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	26,137,704	0.39%
	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500		
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500	22,040,000	0.33%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010	10,000,000	0.0500	15,000,000	0.23%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		

ADDITIONAL INFORMATION



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

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Xiang Xin	800,000,000	Corporate interest (<i>note 1</i>)	12.16%

Note:

1. The underlying Shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

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

Save as disclosed above, none of the Directors or the chief executive of the Company or any of their respective associates had, as at 30 June 2010, any interests and short positions in the Shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

ADDITIONAL INFORMATION



Disclosure of Interests by Substantial Shareholders

As at 30 June 2010, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited (<i>note 1</i>)	Corporate	1,723,335,379	26.19%
Kung Ching (<i>note 2</i>)	Family Corporate	1,723,335,379	26.19%
Guard Max Limited	Beneficiary	800,000,000	12.16%
Zhang Gui Sen (<i>note 3</i>)	Deemed	800,000,000	12.16%

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

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Harvest Rise Investments Limited (<i>note 1</i>)	800,000,000	Beneficiary	12.16%
Kung Ching (<i>note 2</i>)	800,000,000	Family corporate	12.16%

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

ADDITIONAL INFORMATION



Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang. 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 the Shares and underlying Shares held by Harvest Rise Investments Limited as mentioned in note 1 above.
3. Guard Max Limited is a private company wholly and beneficially owned by Mr. Zhang Gui Sen. Mr. Zhang Gui Sen is deemed to have interest in 800,000,000 shares held by Guard Max Limited.

Save as disclosed above, as at 30 June 2010, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

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

During the six months ended 30 June 2010, 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 2010, save for deviation from Code A.2.1 and A.4.1.

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. Such practice deviates from code provision A.2.1 of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that its is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.



ADDITIONAL INFORMATION

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

Model Code on Securities Transactions by Directors

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

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

Audit Committee

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

The Company's interim report for the six months ended 30 June 2010 has been reviewed by the Audit Committee.

Sufficiency of Public Float

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the six months ended 30 June 2010.

FINANCIAL INFORMATION

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2010



		Six months ended 30 June	
		2010	2009
		HK\$	HK\$
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Revenue	3	187,505	10,106,425
Gross sales proceeds of financial assets at fair value through profit or loss		5,892,268	99,593,600
Interest income		862,603	6,393,079
Dividend income		483,360	432,480
(Loss)/gain on disposal of financial assets at fair value through profit or loss		(1,158,458)	2,497,284
Gain on disposal of available-for-sale investments		-	322,317
Sundry income		-	461,265
Depreciation		(285,994)	(100,866)
Investment manager's fee		(150,000)	(150,000)
Directors' emoluments		(323,514)	(323,514)
Fair value change of financial assets at fair value through profit or loss		(1,315,952)	-
Other operating expenses	4	(2,232,287)	(1,839,367)
Finance costs	5	-	(378,379)
(Loss)/profit before taxation		(4,120,242)	7,314,299
Income tax expense	6	-	-
(Loss)/profit for the period and attributable to owners of the Company		(4,120,242)	7,314,299
(Loss)/earnings per share (in HK cents)			
Basic	7	(0.06)	0.14
Diluted	7	N/A	0.14

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010



	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
(Loss)/profit for the period	(4,120,242)	7,314,299
Other comprehensive (loss)/income for the period, net of tax		
Unrealised (loss)/gain arising from change in fair value of available-for-sale investments	(190,800)	17,659,274
Reclassification adjustments on disposal of available-for-sale investments	-	(3,288,682)
	(190,800)	14,370,592
Total comprehensive (loss)/income for the period and attributable to owners of the Company	(4,311,042)	21,684,891

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2010



<i>Notes</i>	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	2,259,217	2,516,050
Investment properties	48,000,000	48,000,000
Available-for-sale investments	133,876,525	114,067,325
Loan receivables	85,835,500	56,575,500
Deposit and prepayment for acquisition of property, plant and equipment	3,991,746	302,812
	273,962,988	221,461,687
CURRENT ASSETS		
Interest receivables	857,096	972,603
Deposits, prepayment and other receivables	11,662,053	3,393,183
Financial assets at fair value through profit or loss	2,530,000	–
Cash and cash equivalents	75,239,349	122,396,247
	90,288,498	126,762,033
CURRENT LIABILITIES		
Accruals	657,471	318,663
NET CURRENT ASSETS	89,631,027	126,443,370
TOTAL ASSETS LESS CURRENT LIABILITIES	363,594,015	347,905,057
CAPITAL AND RESERVES		
Share capital	65,793,858	61,708,658
Reserves	297,800,157	286,196,399
TOTAL EQUITY	363,594,015	347,905,057
Net asset value per share	HK\$0.06	HK\$0.06

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010



	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Investment revaluation reserve HK\$	Convertible bonds equity reserve HK\$	Accumulated losses HK\$	Total HK\$
Unaudited							
At 1 January 2010	61,708,658	281,187,691	25,220,751	2,862,000	-	(23,074,043)	347,905,057
Total comprehensive loss for the period	-	-	-	(190,800)	-	(4,120,242)	(4,311,042)
Issue of shares upon exercise of share options	85,200	1,218,360	(1,303,560)	-	-	-	-
Transfer to reserves upon exercise of share options	-	153,800	(153,800)	-	-	-	-
Issue of shares for acquisition of available-for-sale investment	4,000,000	16,000,000	-	-	-	-	20,000,000
At 30 June 2010	65,793,858	298,559,851	23,793,391	2,671,200	-	(27,194,285)	363,594,015
Unaudited							
At 1 January 2009	51,687,358	239,921,707	25,259,201	(14,968,912)	3,455,781	(53,813,292)	251,541,843
Total comprehensive income for the period	-	-	-	14,370,592	-	7,314,299	21,684,891
Issue of shares upon exercise of share options	21,300	85,200	-	-	-	-	106,500
Transfer to reserves upon exercise of share options	-	38,450	(38,450)	-	-	-	-
At 30 June 2009	51,708,658	240,045,357	25,220,751	(598,320)	3,455,781	(46,498,993)	273,333,234

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010



Notes:

- (i) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution. Dividend may also be declared out of share premium account of the Company. As at 30 June 2010, the Company's reserve available for distribution amounted to HK\$271,365,566 (30 June 2009: HK\$193,546,364).
- (ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2.
- (iii) The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the reserve related to that financial asset, and is effectively realised, is recognised in profit or loss.
- (iv) The convertible bonds equity reserve arises on the issue of convertible bonds by the Company. It represents the option to convert the liability component into ordinary shares of the Company and will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits.

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010



	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Net cash (used in)/from operating activities	(14,021,785)	11,277,267
Net cash used in investing activities	(33,135,113)	(3,753,095)
Net cash from financing activities	–	106,500
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(47,156,898)	7,630,672
Cash and cash equivalents at beginning of the period	122,396,247	104,819,277
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	75,239,349	112,449,949
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	27,524,588	97,511,559
Cash held in the securities account of securities companies	47,714,761	14,938,390
	75,239,349	112,449,949

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



1 Corporate information

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

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

2 Basis of preparation

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

The unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2009.

Summary of significant accounting policies

Adoption of new and revised Hong Kong Financial Reporting Standards In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



3 Revenue

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Interest income	862,603	6,393,079
Dividend income from listed securities	483,360	432,480
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(1,158,458)	2,497,284
Gain on disposal of available-for-sale investments	-	322,317
Sundry income	-	461,265
	187,505	10,106,425

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

4 Other operating expenses

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Other operating expenses include the following:		
Auditors' remuneration	75,000	-
Employee benefit expense, including directors' remuneration		
- wages, salaries and others	848,710	931,831
- contribution to retirement benefits scheme	22,960	27,155
Legal and professional fee	54,034	-
Listing fee	392,030	224,500
Operating lease charge for land and buildings	480,000	480,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



5 Finance costs

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Imputed interest expenses from zero-coupon convertible bonds	-	378,379

6 Income tax expense

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2010 as the Company did not generate any assessable profits.

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 the estimated assessable profits.

7 (Loss)/earnings per share

Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$4,120,242 (2009: profit of HK\$7,314,299) and the weighted average number of approximately 6,381,528,000 (2009: 5,169,206,000) shares in issue during the period.

Diluted

No diluted loss per share has been presented by the Company for the six months ended 30 June 2010 as the exercise of some of the share options will give rise to an anti-dilutive effect. 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.

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

	Six months ended 30 June 2009 HK\$ (Unaudited)
Earnings	
Earnings for the purpose of basic earnings per share	7,314,299
Imputed interest expenses from zero-coupon convertible bonds	378,379
Earnings for the purpose of diluted earnings per share	7,692,678

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



2009
'000

Number of shares

Weighted average number of ordinary shares	5,169,206
Effect of dilutive potential ordinary shares	
– share options (note)	126,174
– convertible bonds	200,000
– warrants (note)	–

Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,495,380
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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 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Unlisted equity securities, at carrying value	99,977,725	79,977,725
Listed equity securities, Hong Kong, at fair value	33,898,800	34,089,600
	133,876,525	114,067,325

9 Financial assets at fair value through profit or loss

	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Equity forward contract	2,530,000	–

The equity forward contract was measured at fair value and the underlying stock of which was HSBC Holding plc.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



10 Cash and cash equivalents

	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Cash at banks	27,522,135	70,073,662
Cash on hand	2,453	31,905
Cash held in the securities account of securities companies	47,714,761	52,290,680
	75,239,349	122,396,247

11 Share capital

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each ("Shares")		
Authorised:		
At 1 January 2010 and 30 June 2010	15,000,000,000	150,000,000
Issued and fully paid:		
At 1 January 2010	6,170,865,753	61,708,658
Issue of shares for acquisition of available-for-sale investment	400,000,000	4,000,000
Issue of shares upon exercise of share options	8,520,000	85,200
At 30 June 2010	6,579,385,753	65,793,858

During the period, part of the share options granted were exercised for 8,520,000 Shares at exercise price per share of HK\$0.05 which raised gross proceeds of HK\$426,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



12 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 (i) each eligible participant (including both exercised and outstanding options) and (ii) a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates in any 12-month period up to the date of such grant must not exceed 1% or 0.1% respectively 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/her 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



Movements of the options granted under the Scheme during the six months ended 30 June 2010 and outstanding at 30 June 2010 were as follows:

Date of grant	Option period	Number of share options				Outstanding as at 30 June 2010	Price per share to be paid on exercise of options HK\$
		Outstanding as at 1 January 2010	Granted during the period	Lapsed during the period	Exercised during the period		
29/1/2003	28/8/2003– 27/8/2013	119,243,183	-	-	-	119,243,183	0.0244
18/10/2007	18/10/2007– 15/10/2010	168,074,000	-	-	(8,520,000)	159,554,000	0.0500
14/1/2008	1/2/2008– 31/1/2011	145,000,000	-	-	-	145,000,000	0.2000
		432,317,183	-	-	(8,520,000)	423,797,183	

As at 30 June 2010, the number of shares issuable under the Scheme represented approximately 6.4% (31 December 2009: approximately 7.0%) of the Company's shares in issue as at that date.

13 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 2010 of HK\$363,594,015 (31 December 2009: HK\$347,905,057) and 6,579,385,753 (31 December 2009: 6,170,865,753) ordinary shares in issue at that date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

14 Connected and related party transactions

	Six months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	150,000	150,000
Rental expense paid to New Era Group (China) Limited (<i>note b</i>)	480,000	480,000
Rental deposit paid to New Era Group (China) Limited (<i>note b</i>)	160,000	160,000
Zero-coupon convertible bonds due to Harvest Rise Investments Limited (<i>note c</i>)	-	7,455,745

Note:

- (a) The Company has entered into an investment management agreement with China Everbright Securities (HK) Limited ("CES") for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served. In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES. On 23 October 2007, a revision on the service charge to HK\$300,000 per annum by monthly payment of HK\$25,000 and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008 was proposed and accepted.
- (b) The Company has entered into a tenancy agreement with New Era Group (China) Limited ("NEG"), a company of which Mr. Xiang Xin is also a director (the "Tenancy Agreement") for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



- (c) As at 30 June 2009, the Company had the liability component of the zero-coupon convertible bonds due to Harvest Rise Investment Limited ("HRIL"), a substantial shareholder of the Company which is wholly owned by Mr. Xiang Xin. Upon the issue of the zero-coupon convertible bonds, the Company granted 800,000,000 unlisted warrants to HRIL at nil monetary consideration.

15 Commitment

(a) Operating lease

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

	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Within one year	906,667	906,667
After one but within five years	80,000	533,333
	986,667	1,440,000

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

(b) Capital commitment

	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Commitments for the acquisition of property, plant and equipment	2,500,000	2,729,084

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



In addition, the Company entered into a subscription agreement, on 2 March 2009, with Moral Glory Limited (“MGL”), a company incorporated in Hong Kong, pursuant to which the Company committed to acquire 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 subsidiaries 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 prerequisites stated in the agreement and HK\$2,500,000 refundable deposit was paid.

16 Major non-cash transactions

During the period ended 30 June 2010, 400,000,000 new shares of HK\$0.01 each of the Company were issued at HK\$0.05 per share (total consideration of HK\$20,000,000) in exchange for 310 shares (voting right withdrawn) in Topsun Creation Limited, a company incorporated in Hong Kong with nominal value of HK\$1.00 each. The investment in Topsun Creation Limited was accounted for as available-for-sale investment of the Company.

17 Contingent liabilities

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

18 Interim dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

CORPORATE INFORMATION



Directors

Executive Directors

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

Non-Executive Director

Mr. Ng Kwong Chue Paul

Independent Non-executive Directors

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

Authorised Representatives

Mr. Xiang Xin
Mr. Wong Chak Keung

Audit Committee and Remuneration Committee

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

Company Secretary

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

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Investment Manager

China Everbright Securities (HK) Ltd

Auditors

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

Principal Banker

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

Custodian

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

Stock Code

1217

Website

www.1217.com.hk