



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)



2011 INTERIM REPORT

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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 2011 with comparative figures for the corresponding period of 2010 as follows:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	2,648	187
Gross sales proceeds of financial assets at fair value through profit or loss	524	5,892
Profit/(loss) for the period and attributable to owners of the Company	425	(4,120)
Earnings/(loss) per share (in HK cents)		
Basic	0.01	(0.06)
Diluted	N/A	N/A

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 2011.

MANAGEMENT DISCUSSION AND ANALYSIS



Financial review

For the six months ended 30 June 2011, the Company recorded a total revenue of HK\$2,648,000 (2010: HK\$187,000). This increase in revenue was mainly attributable to the increase in the interest income.

The profit for the six months ended 30 June 2011 was HK\$425,000 while the loss for the corresponding period of 2010 was HK\$4,120,000.

Business review

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

During the six months ended 30 June 2011, there was interest income in the amount of approximately HK\$1,193,000 and HK\$1,250,000 earned from convertible bonds bought from Takenaka Industry Company Limited and interest-bearing debt instrument from Morgan Strategic Limited respectively. There was only HK\$857,000 loan interest income from Morgan Strategic Limited being made during the six months ended 30 June 2010. As a result, there was a sharp increase in interest income by approximately 199.7% during the six months ended 30 June 2011 when compared to the corresponding period in 2010.

During the six months ended 30 June 2011, there was a gain of approximately HK\$65,000 recognized upon disposal of financial assets arising from the trading in Heng Sang index options. 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 2011, the Company held investments in four unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Century Company Limited and Blue Angel (H.K.) Limited, which amounting to total cost and carrying values of HK\$104,517,000 and HK\$100,017,000 respectively. Correspondingly, the Company held shareholder loan in aforesaid unlisted companies in the amount of HK\$112,296,000.

MANAGEMENT DISCUSSION AND ANALYSIS



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 through its investment. With energy conservation as our development goal, our investment 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 in the investment 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 invests in 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. With features of high capacity, fully sealed and maintenance-free, the system is widely used in military equipment 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 invests in Aesthetic Vision Limited (“Aesthetic Vision”), and was also given with preference to make investment in China Opto-Electro Industries Co., Ltd (“COEI”), a wholly-owned subsidiary of CNGC (中國兵器工業集團). Aesthetic Vision’s major product is LED lighting. It possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes.

MANAGEMENT DISCUSSION AND ANALYSIS



For “New Materials”, the Company invests in United Crown Century Company Limited (“United Crown Century”). Being the pioneer in the new energy-saving eco-sheet industry in the PRC market, United Crown Century mainly specializes in research and development of energy-saving eco-materials for walls.

For “New Media”, with key investments in “New Energy”, “New Light” and “New Materials” as aforesaid, the Company plans to further innovate and apply these three new resources industries. The invested company, Blue Angel (H.K.) Limited (“Blue Angel”), mainly engages in production 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.

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

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

Liquidity and financial resources and gearing

As at 30 June 2011, the Company had cash and cash equivalents of HK\$103,053,000. All the cash and cash equivalents were mainly placed as short term deposits in Hong Kong dollars with banks and securities companies in Hong Kong.

For the period under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio was zero (net debt to shareholders’ funds) as at 30 June 2011. 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 2011 are set out in note 10 to the condensed financial statements. The capital of the Company comprises only ordinary shares as at 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS



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 2011, the Company has not pledge its assets and the Company did not have any significant contingent liabilities.

Employee information

As at 30 June 2011, the Company had 11 (2010: 10) 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, 18 August 2011

ADDITIONAL INFORMATION



Disclosure of Interests by Directors

As at 30 June 2011, 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>)	24.69%

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 Xin. 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 2011	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 <i>(note 1)</i>	17,040,000	0.0500	17,040,000	0.24%
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	18,764,262	0.27%
	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	0.0500		
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	21,137,704	0.30%
	18.10.2007	18.10.2007 to 15.10.2010 <i>(note 1)</i>	17,040,000	0.0500		
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010. <i>(note 1)</i>	17,040,000	0.0500	17,040,000	0.24%
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010 <i>(note 1)</i>	10,000,000	0.0500	10,000,000	0.14%

Note:

- The original exercise period of these share options were lapsed on 15 October 2010. By a board of directors' resolution dated 15 October 2010, which is subject to the approval of the shareholder of the Company at a general meeting to be convened, the exercise period of the outstanding options will be extended to 17 October 2013.

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>)	11.46%

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, as at 30 June 2011, none of the Directors or the chief executive of the Company or any of their respective associates had any interests and short positions in the Shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

ADDITIONAL INFORMATION



Disclosure of Interests by Substantial Shareholders

As at 30 June 2011, 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	24.69%
Kung Ching (<i>note 2</i>)	Family Corporate	1,723,335,379	24.69%
Guard Max Limited	Beneficiary	800,000,000	11.46%
Zhang Gui Sen (<i>note 3</i>)	Deemed	800,000,000	11.46%
China Seed International Limited	Beneficiary	800,000,000	11.46%
Yu Wang Shen (<i>note 4</i>)	Deemed	800,000,000	11.46%
Tat Fai Enterprises Limited	Beneficiary	434,983,891	6.23%
Cheung Chung Chit (<i>note 5</i>)	Deemed	434,983,891	6.23%

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

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

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

ADDITIONAL INFORMATION



Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang Xin, Mr. Xiang is the sole director of Harvest Rise Investments Limited.
2. Ms. Kung Ching, the spouse of Mr. Xiang, is deemed to have interest in 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.
4. China Seed International Limited is a private company wholly and beneficially owned by Mr. Yu Wang Shen. Mr. Yu Wang Shen is deemed to have interest in 800,000,000 shares held by China Seed International Limited.
5. Tat Fai Enterprises Limited is a private company wholly and beneficially owned by Mr. Cheung Chung Kit. Mr. Cheung Chung Kit is deemed to have interest in 434,983,891 shares held by Tat Fai Enterprises Limited.

Save as disclosed above, as at 30 June 2011, 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 2011, 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 2011, 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 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.



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 during the six months ended 30 June 2011.

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 2011 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 2011.

FINANCIAL INFORMATION

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2011



	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	3	2,648	187
Gross sales proceeds of financial assets at fair value through profit or loss		524	5,892
Interest income		2,583	862
Dividend income		—	483
Gain/(loss) on disposal of financial assets at fair value through profit or loss		65	(1,158)
Gain on disposal of investment properties		3,392	—
Depreciation		(630)	(286)
Investment manager's fee		(150)	(150)
Directors' emoluments		(372)	(323)
Fair value change of financial assets at fair value through profit or loss		—	(1,316)
Other operating expenses	4	(4,463)	(2,232)
Profit/(loss) before taxation		425	(4,120)
Income tax expense	5	—	—
Profit/(loss) for the period and attributable to owners of the Company		425	(4,120)
Earnings/(loss) per share (in HK cents)			
Basic	6	0.01	(0.06)
Diluted	6	N/A	N/A

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011



Six months ended 30 June

	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit/(loss) for the period	425	(4,120)
Other comprehensive income/(loss) for the period, net of tax		
Unrealised gain/(loss) arising from change in fair value of available-for-sale investments	—	(191)
	—	(191)
Total comprehensive income/(loss) for the period and attributable to owners of the Company	425	(4,311)

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2011



	<i>Notes</i>	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,937	5,730
Investment properties		—	54,000
Available-for-sale investments	7	100,017	100,017
Loan receivables	8	196,586	158,796
		300,540	318,543
CURRENT ASSETS			
Interest receivables		1,250	2,058
Deposits, prepayment and other receivables		2,353	2,823
Cash and cash equivalents	9	103,053	81,146
		106,656	86,027
CURRENT LIABILITIES			
Other payables and accruals		11,579	11,764
Interest received in advance		2,386	—
		13,965	11,764
NET CURRENT ASSETS			
		92,691	74,263
TOTAL ASSETS LESS CURRENT LIABILITIES			
		393,231	392,806
CAPITAL AND RESERVES			
Share capital	10	69,794	69,794
Reserves		323,437	323,012
TOTAL EQUITY			
		393,231	392,806
Net asset value per share	12	HK\$0.06	HK\$0.06

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011



	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Unaudited						
At 1 January 2011	69,794	313,682	28,818	—	(19,488)	392,806
Total comprehensive profit for the period	—	—	—	—	425	425
At 30 June 2011	69,794	313,682	28,818	—	(19,063)	393,231
Unaudited						
At 1 January 2010	61,709	281,187	25,221	2,862	(23,074)	347,905
Total comprehensive loss for the period	—	—	—	(191)	(4,120)	(4,311)
Issue of shares upon exercise of share options	85	1,218	(1,303)	—	—	—
Transfer to reserves upon exercise of share options	—	154	(154)	—	—	—
Issue of shares for acquisition of available-for-sale investment	4,000	16,000	—	—	—	20,000
At 30 June 2010	65,794	298,559	23,764	2,671	(27,194)	363,594

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011



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 2011, the Company's reserve available for distribution amounted to HK\$294,619,000 (30 June 2010: HK\$271,365,000).
- (ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2.
- (iii) The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the reserve related to that financial asset, and is effectively realised, is recognised in profit or loss.

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011



Six months ended 30 June

	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash (used in)/from operating activities	(2,940)	(14,021)
Net cash used in investing activities	24,847	(33,135)
Net cash from financing activities	—	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	21,907	(47,156)
Cash and cash equivalents at beginning of the period	81,146	122,396
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	103,053	75,240
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,054	50,236
Non-pledged time deposits with original maturity of less than three months when acquires	87,999	25,004

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 2010.

Summary of significant accounting policies

The Company has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and amounts reported for the current period and prior years.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



3 Revenue

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest income	2,583	862
Dividend income from listed securities	—	483
Gain/(loss) on disposal of financial assets at fair value through profit or loss	65	(1,158)
	2,648	187

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	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Other operating expenses include the following:		
Auditors' remuneration	75	75
Employee benefit expense, including directors' remuneration		
— wages, salaries and others	1,186	849
— contribution to retirement benefits scheme	37	23
Legal and professional fee	22	54
Listing fee	426	392
Operating lease charge for land and buildings	480	480
Loss on disposal of fixed assets	1,306	—

5 Income tax expense

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2011 as the Company have available tax losses to offset against the estimated assessable profits.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



6 Earnings/(loss) per share

Basic

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$425,000 (2010: loss of HK\$4,120,000) and the weighted average number of approximately 6,979,385,753 (2010: 6,381,528,000) shares in issue during the period.

Diluted

No diluted earnings/(loss) per share has been presented by the Company for the six months ended 30 June 2011 and 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.

7 Available-for-sale investments

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Unlisted equity securities, at cost	104,517	104,517
Less: Impairment	(4,500)	(4,500)
Net carrying value	100,017	100,017

8 Loan receivables

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Interest-bearing debt instrument	84,290	46,500
Shareholder loan receivables	112,296	112,296
	196,586	158,796

9 Cash and cash equivalents

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Cash at banks	871	1,741
Cash on hand	3	3
Non-pledged time deposits with original maturity of less than three months when acquires	87,999	65,071
Cash held in securities account of securities companies	14,180	14,331
	103,053	81,146

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



10 Share capital

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Authorised: 15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
Issued and fully paid: 6,979,385,753 ordinary shares of HK\$0.01 each	69,794	69,794

11 Share options

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



Movements of the options granted under the Scheme during the six months ended 30 June 2011 and outstanding at 30 June 2011 were as follows:

Date of grant	Option period	Number of share options				Outstanding as at 30 June 2011	Price per share to be paid on exercise of options HK\$
		Outstanding as at 1 January 2011	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 (note 1)	159,554,000	–	–	–	159,554,000	0.0500
14/1/2008	1/2/2008 – 31/1/2011	145,000,000	–	(145,000,000)	–	–	0.2000
		423,797,183	–	(145,000,000)	–	278,797,183	

As at 30 June 2011, the number of shares issuable under the Scheme represented approximately 3.99% (31 December 2010: approximately 6.07%) of the Company's shares in issue as at that date.

Note:

- The original exercise period of these share options were lapsed on 15 October 2010. By a board of directors' resolution dated 15 October 2010, which is subject to the approval of the shareholder of the Company at a general meeting to be convened, the exercise period of the outstanding options will be extended to 17 October 2013.

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 2011 of HK\$393,231,000 (31 December 2010: HK\$392,806,000) and 6,979,385,753 (31 December 2010: 6,979,385,753) ordinary shares in issue at that date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



13 Connected and related party transactions

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Investment management fee paid to China Everbright Securities (HK) Limited (<i>note a</i>)	150	150
Rental expense paid to New Era Group (China) Limited (<i>note b</i>)	480	480
Rental deposit paid to New Era Group (China) Limited (<i>note b</i>)	160	160

Note:

- (a) The Company has entered into an investment management agreement with China Everbright Securities (HK) Limited ("CES") for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served. In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES. On 23 October 2007, a revision on the service charge to HK\$300,000 per annum by monthly payment of HK\$25,000 and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008 was proposed and accepted.
- (b) The Company has entered into a tenancy agreement with New Era Group (China) Limited ("NEG"), a company of which Mr. Xiang Xin is also a director (the "Tenancy Agreement") for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. On 1 January 2011, the Company agreed to renew and extend the terms of the Tenancy Agreement with NEG for a term of three years commencing from 1 July 2011 and expiring on 30 June 2014. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS



14 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 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Within one year	960	480
After one but within five years	1,920	—
	2,880	480

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 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Commitment for the acquisition of available-for-sale investments	18,193	18,193
Commitment on undrawn loan facility granted	1,500	3,500
	19,693	21,693

15 Contingent liabilities

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

16 Interim dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

CORPORATE INFORMATION



Directors

Executive Directors

Mr. Xiang Xin

(Chairman and Chief Executive Officer)

Mr. Chan Cheong Yee

Mr. Li Zhou

Non-Executive Director

Mr. Ng Kwong Chue Paul

Independent Non-executive Directors

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

Authorised Representatives

Mr. Xiang Xin

Mr. Liu Wai Kin

Audit Committee and Remuneration Committee

Mr. David Wang Xin *(Chairman)*

Mr. Zang Hong Liang

Mr. Lee Wing Hang

Company Secretary

Mr. Liu Wai Kin

Registered Office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong

26/F, No. 9 Des Voeux Road West,

Sheung Wan, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House, 68 Fort Street

P.O. Box 705, George Town

Grand Cayman KY1-1107

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

18/F., Fook Lee Commercial Centre

Town Place, 33 Lockhart Road

Wanchai, Hong Kong

Investment Manager

China Everbright Securities (HK) Limited

Auditors

Ascenda Cachet CPA Limited

Certified Public Accountants (Practising)

Principal Bankers

Bank of China (Hong Kong) Limited

Hang Seng Bank

UBS AG

Custodians

China Everbright Securities (HK) Limited

Hang Seng Bank

UBS AG

Stock Code

1217

Website

www.1217.com.hk