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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)

**INCREASE IN INVESTMENT IN TOPSUN  
AND ISSUE OF SHARES UNDER GENERAL MANDATE**

**TRANSFER OF SHARES AND SHAREHOLDER LOAN**

The Board is pleased to announce that on 28 June 2010 (after the trading hours), the Company entered into the “Transfer of Shares and Shareholder Loan Agreement” with the Vendor, pursuant to which the Company has conditionally agreed to purchase and acquire from the Vendor 1,100 “B” shares (with voting rights withdrawn) of the issued share capital and shareholder loan with interest-free in the amount of RMB27,500,000 (or HK\$ equivalent) of Topsun for an aggregate consideration of RMB27,500,958 (or HK\$ equivalent) to be satisfied by cash of RMB10,086,958 (or HK\$ equivalent) and the issue of 400,000,000 Consideration Shares (amount to approximately RMB17,414,000) at an issue price of HK\$0.05.

**GENERAL**

Application will be made by the Company to the Listing Committee for the listing of and the permission to deal in the Consideration Shares.

## **TRANSFER OF SHARES AND SHAREHOLDER LOAN AGREEMENT**

Date : 28 June 2010 (after the trading hours)

### **PARTIES**

Purchaser : The Company

The Vendor : China Seed International Limited

As at the date of this announcement, the Vendor holds 400,000,000 Shares of the Company, representing 6.07% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons. The Vendor is principally engaged in investment holding.

### **SHARES TO BE PURCHASED AND SHAREHOLDER LOAN TO BE ACQUIRED**

The Company has conditionally agreed to purchase and acquire 1,100 "B" shares (with voting rights withdrawn) in the issued share capital and shareholder loan with interest-free in the amount of RMB27,500,000 (or HK\$ equivalent) in Topsun from the Vendor.

### **CONDITIONS PRECEDENT TO THE COMPLETION OF "THE TRANSFER OF SHARES AND SHAREHOLDER LOAN AGREEMENT"**

Completion of the "Transfer of Shares and Shareholder Loan Agreement" is subject to the following conditions having been fulfilled or waived (as the case may be):

- (1) Topsun will issue 2,000 "B" shares (with voting rights withdrawn) to be subscribed by the Vendor at a consideration of RMB1,741 (or HK\$ equivalent). The Vendor will also provide shareholder loan with interest-free to Topsun to be satisfied by cash of RMB15,000,000 (or HK\$ equivalent) and injection of intellectual property with valuation not less than RMB35,000,000 (or HK\$ equivalent) as prepared by an independent valuer;
- (2) the approval in the Increase in Capital in 太陽創建(中國)能源科技有限公司(transliterated as Topsun Creation (China) Resources Technology Limited), a PRC wholly-owned subsidiary of Topsun, by the PRC government;

- (3) the intellectual property injected by the Vendor in Topsun could be applied as a capital contribution to the PRC subsidiary of Topsun;
- (4) the Company having obtained all necessary consents, authorizations, permissions and approvals (if applicable) from any shareholders, government and the Stock Exchange;
- (5) the Board having passed all necessary resolutions to approve the “Transfer of Shares and Shareholder Loan Agreement” and the relevant transactions;
- (6) the Company and the Vendor having obtained all necessary consents and approvals in respect of the “Transfer of Shares and Shareholder Loan Agreement”; and
- (7) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Consideration Shares.

In the event that the above conditions precedent are not fulfilled within one year commencing from the date of entering the “Transfer of Shares and Shareholder Loan Agreement”, the agreement shall cease to be effective and neither of the parties to the “Transfer of Shares and Shareholder Loan Agreement” shall have any obligation towards each other save for any antecedent breaches.

#### **COMPLETION OF THE “TRANSFER OF SHARES AND SHAREHOLDER LOAN”**

Completion of the “Transfer of Shares and Shareholder Loan” shall take place on the second business day after all the conditions precedent of the “Transfer of Shares and Shareholder Loan Agreement” have been fulfilled or waived or such later date as may be agreed between the Vendor and the Company.

#### **THE CONSIDERATION**

The consideration of RMB27,500,958 (or HK\$ equivalent) will be satisfied by cash of RMB 10,086,958 (or HK\$ equivalent) and the issued of 400,000,000 Consideration Shares (amount to approximately RMB 17,414,000) at an issue price of HK\$0.05.

The consideration was determined after arm’s length commercial negotiation between the Company and the Vendor with reference to the net asset value of Topsun (and its subsidiary upon completion of the new issue in Topsun and Increase in Capital in its subsidiary respectively. Accordingly, the Directors consider that the consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

## **THE CONSIDERATION SHARES**

400,000,000 Consideration Shares, credited as fully paid, will be issued at an issue price of HK\$0.05 per Share. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue, including the rights to all dividends, distribution and other payments which are declared, made or paid on or after the date of such allotment and issue.

As at the date of this announcement, there were 6,579,385,753 Shares in issue and the Consideration Shares represent:

- (i) approximately 6.08% of the issued share capital of the Company; and
- (ii) approximately 5.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

## **THE ISSUE PRICE**

The issue price of HK\$0.05 was determined after arm's length commercial negotiation between the Company and the Vendor with reference to the average closing price of the Shares for the last 5 trading days up to and including the date of entering the "Transfer of Shares and Shareholder Loan Agreement". The issue price represents:

- (i) a discount of approximately 13.79% to the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the date of entering the "Transfer of Shares and Shareholder Loan Agreement";
- (ii) a discount of approximately 18.30% to the average closing price of approximately HK\$0.0612 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the date of entering the "Transfer of Shares and Shareholder Loan Agreement" ; and
- (iii) a discount of approximately 16.67% to the audited net asset value per Share of approximately HK\$0.06 as at 31 December 2009 as disclosed in the Company's announcement dated 22 April 2010.

On the above basis, the Directors consider that the issue price and the issue of the Consideration Shares are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## GENERAL MANDATE

The Consideration Shares will be allotted and issued pursuant to the unutilised Existing General Mandate.

Application will be made by the Company to the Listing Committee for the listing of and the permission to deal in the Consideration Shares.

## SHAREHOLDING STRUCTURE

As at the date of this announcement, Harvest Rise Investments Limited held the unlisted warrants of the Company (the “**Warrants**”) entitling it to subscribe for 800,000,000 new Shares at the subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013. As at the date of this announcement, the Company has outstanding options (the “**Options**”) granted to eligible participants of the Company to subscribe for 423,797,183 Shares pursuant to the terms of the Company’s share option scheme.

Assuming the subscription rights attached to the Warrants and the Options are not exercised and there is no other change in the shareholding of the Company after the date of this announcement, set out below are the shareholding structure of the Company immediately before and upon completion of the “Transfer of Shares and Shareholder Loan”:

Name of shareholders	As at the date of this announcement		Immediately after the transfer of shares and shareholder loan	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Harvest Rise Investments Limited (note 1)	1,723,335,379	26.19	1,723,335,379	24.69
Guard Max Limited	800,000,000	12.16	800,000,000	11.46
The Vendor (note 2)	-	-	800,000,000	11.46
<b>Sub-total</b>	<b>2,523,335,379</b>	<b>38.35</b>	<b>3,323,335,379</b>	<b>47.61</b>
The Vendor (note 2)	400,000,000	6.08	-	-
The Directors (note 3)	11,656,000	0.18	11,656,000	0.17
Other public shareholders	3,644,394,374	55.39	3,644,394,374	52.22
<b>Sub-total</b>	<b>4,056,050,374</b>	<b>61.65</b>	<b>3,656,050,374</b>	<b>52.39</b>
<b>Total</b>	<b>6,579,385,753</b>	<b>100.00</b>	<b>6,979,385,753</b>	<b>100.00</b>

*Note 1: Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.*

*Note 2: The Vendor will become a substantial shareholder immediately after the completion of the “Transfer of shares and Shareholder Loan”.*

*Note 3: Excluding Mr. Xiang Xin and his associates.*

## **INFORMATION ON TOPSUN**

As at the date of this announcement, the issued share capital of Topsun consisted of 690 “A” shares (with voting rights) and 1,310 “B” shares (with voting rights withdrawn). The Company held 1,310 “B” shares (with voting rights withdrawn) and the Vendor holds 690 “A” shares (with voting rights) in Topsun. Upon completion on the “Transfer of Shares and Shareholder Loan”, the Company will hold 2,410 “B” shares (with voting rights withdrawn) and the Vendor will hold 690 “A” shares (with voting rights) and 900 “B” shares (with voting rights withdrawn) in Topsun.

The principal assets of Topsun include a PRC subsidiary of Topsun with new energy batteries as its main products. These batteries have the characteristics of high capacity, fully sealed and maintenance-free, and are substantially used in tanks, submarines and barracks as well as civil vehicles and construction. Topsun is also planning to step into the industry of photovoltaic integration.

Topsun was incorporated in Hong Kong on 9 January 2009. According to the unaudited management accounts of Topsun prepared under the Hong Kong accounting standards, for the period ended 31 December 2009, there was no revenue, net profit before and after taxation. According to the unaudited consolidated management accounts of Topsun prepared under the Hong Kong accounting standards, for the five months ended 31 May 2010, there was no revenue, net profit before and after taxation. As at 31 May 2010, the consolidated total asset value and the net asset value of Topsun amounted to approximately HK\$39,581,000.

## **REASONS FOR THE “TRANSFER OF SHARES AND SHAREHOLDER LOAN”**

Topsun is an enterprise engaged in the field of new energy application with strong research and development in power-storage technology. With a view to expand its business in the field of research and development in solar energy, it is now planning to further develop solar power system integration and engineering construction field. With the advantages of high resistance in extreme temperatures, anti-seismic and maintenance-free, the photovoltaic power generation system to be applied by Topsun could meet the extreme environments of military purpose and achieve high performance and stability characteristics of solar photovoltaic power generation. Topsun plans to further provide system integration solutions and undertake the overall engineering of mini power system to customers. The issue of new shares and shareholder loan in Topsun and the Increase in Capital in its subsidiary will prepare a solid

working capital for its development and expansion.

The increase in the investment in Topsun will strengthen the Company's investment strategy in "new energy" to meet the development trend for "new energy" in the PRC and the world. The Directors consider that the entering of the "Transfer of Shares and Shareholder Loan Agreement" is in the interest of the Company and its Shareholders as a whole.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors
"Company"	China Innovation Investment Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Consideration Shares"	the 400,000,000 new Shares to be allotted and issued to the Vendor credited as fully paid at the issue price of HK\$0.05 in accordance with the terms of the "Transfer of Shares and Shareholder Loan Agreement"
"Director(s)"	the director(s) of the Company
"Existing General Mandate"	the general mandate to authorize the Directors to allot and issue up to 1,315,877,150 Shares pursuant to the resolution passed at the annual general meeting of the Company held on 8 June 2010
"Increase in Capital"	the increase in the registered capital of 太陽創建(中國)能源科技有限公司 (transliterated as Topsun Creation (China) Resources Technology Limited), a PRC wholly-owned subsidiary of Topsun, from RMB 50,000,000 to an amount not less than RMB100,000,000
"Independent Third Party(ies)"	person(s) which is/are third party(ies) independent of the Company and the respective ultimate beneficial owner(s) of which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) as defined under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shares”	the ordinary shares of the Company of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Topsun”	Topsun Creation Limited, a company incorporated in Hong Kong
“Transfer of Shares and Shareholder Loan”	The Company has conditionally agreed to purchase and acquire 1,100 “B” shares (with voting rights withdrawn) in the issued share capital and shareholder loan with interest-free in the amount of RMB\$ 27,500,000 (or HK\$ equivalent) in Topsun from the Vendor pursuant to the “Transfer of Shares and the Shareholder Loan”
“Vendor”	China Seed International Limited, a company incorporated in the British Virgin Islands and an Independent Third Party
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

*For the purpose of this announcement, conversion of HK\$ into RMB is calculated at the approximate exchange rate of HK\$1.1485 to RMB1.00. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.*



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

Hong Kong, 28 June 2010

*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.*