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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)

### **Cooperative framework agreement**

#### **Cooperate set up Excalibur Fund**

The Board is pleased to announce that on 31 December 2011, the Company and China Baoan entered into a cooperative framework agreement, intend to invest in military industry and four new industries (new energy resources, new light resources, new materials, new media), make use their respective advantage, cooperate set up two equity investment funds in Mainland China. Two funds have a total scale of RMB 1 billion respectively, the initial scale is RMB 200 million. The fund can be set up after getting 50% of initial scale of capital contributions subscribed. Two funds will not be mandatory for China Baoan or the Company.

Date: 31 December 2011

**Parties:** The Company  
China Baoan

### **PRINCIPLE TERMS OF FRAMEWORK AGREEMENT**

1) Both parties (or its subsidiaries) to be jointly set up two equity funds, the name contain the word “Excalibur”, imply the military characteristics of its investment projects, and in

accordance with the equity invested proportion in the enterprises, set up “Shanghai Excalibur Industry M&A Fund Partnerships (limited partnership)” (tentative name, subject to the approval by Industry & Commerce, hereinafter referred as “M&A Fund”) and “Jiangsu Excalibur Strategic Equity Investment Fund Partnership (limited partnership)” (tentative name, subject to the approval by Industry & Commerce, hereinafter referred as “Strategy Fund”) respectively;

2) M&A Fund would account for 51% or more shareholding of the enterprises invested. Both parties (or their subsidiaries) jointly form “Shanghai Excalibur M&A Fund Management Limited.” (tentative name, subject to the approval by Industry & Commerce, hereinafter referred as “M&A Fund Management Company”). M&A Fund Management Company would act as general partner to manage M&A Fund;

3) Strategy Fund would account for not more than 30% shareholding of the enterprises invested. Both parties (or their subsidiaries) jointly form “Jiangsu Excalibur Strategy Fund Management Limited” (tentative name, subject to the approval by Industry & Commerce, hereinafter referred as “Strategy Fund Management Company”). Strategic Fund Management Company would act as general partner to manage Strategic Fund;

4) M&A Fund Management Company and Strategy Fund Management Company would implement team sharing and resource sharing. That is, two fund’s business responsible by the same team; M&A Fund Management Company identify investment projects, Strategy Fund Management Company could choose to invest;

5) M&A Fund and Strategy Funds have a total scale of RMB 1 billion respectively, the initial scale is RMB 200 million. The fund can be set up after getting 50% of initial scale of capital contributions subscribed. Two funds will not be mandatory for China Baoan or the Company; and

6) The content of this Framework Agreement only as a co-operation both direction in 2012 and guidance to work on, and there is no enforceable for both parties.

## **INFORMATION ON THE TARGET COMPANY**

China Baoan, a wholly owned subsidiary of a Shenzhen Stock Exchange listed company China Baoan Group Co., Ltd. (stock code 000009), has overall responsibility for equity investment business and investment management services for China Baoan Group Co., Ltd.. China Baoan is one of the first company to issue shares and carry out equity

investment business in Mainland China, it now conducts investments and holdings on a number of well-known enterprises in China. Being well-known in the industry, the company also has extensive experience in equity investment, it focuses on the cooperation with local governments, to initiate the establishment of equity investment fund (limited partnership).

## **REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT**

The Company has engaged in long-term equity investment, and is well-equipped with projects related to military industries and four new industries (new energy resources, new light resources, new materials, new media), while China Baoan as China's leading enterprise to carry out equity investment, has extensive experience in equity investment. Both parties are intended to focus their investment direction on military industry and four new industries, and set up two equity funds in Mainland China.

Through the cooperation, both parties will make full use of their advantages and experiences in capital operation, through the investment on small and medium four new industries with growth potential, to further enhance the Company's four new industries chain.

## **General Information**

Save for the items (1)-(3) under the section headed "Principle terms of Framework Agreement" above, all the terms and conditions of the formal agreement are subject to further negotiations between the parties, or may not lead to the entering into of the formal agreement. According to the Listing Rules, in the event that the transactions contemplated under the formal agreement (including the corporative events) materialize, the Company will make further announcement in relation to the details of the transactions contemplated under the formal agreement as and when required by the Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board" the Board of Directors of the Company

"China Baoan" 中國寶安集團資產管理有限公司 (transliterated China

Baoan Group Asset Management Limited)

“Company”	China Innovation Investment Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“Directors”	the directors of the Company, including the independent non-executive directors
“Group”	The Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Industry & Commerce”	State Administration for Industry & Commerce of the PRC
“ Listing Rules”	the Rules Governing the Listing of Securities on Main Board
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 31 December 2011

*As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Li Zhou; 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.*