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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)**

### **CONTINUING CONNECTED TRANSACTION**

On 28 February 2012, the Company and China Everbright entered into of the Second Supplemental Agreement. Pursuant to the terms and conditions of the Second Supplemental Agreement, the Company and China Everbright confirm the renewal of the Agreement. The parties further agree that the Investment Management Fee payable by the Company to China Everbright will be adjusted to HK\$960,000 per annum with effect from 20 May 2012 and payable monthly by the Company to China Everbright in HK\$80,000 per month. Furthermore, it was agreed that the Company and China Everbright shall not terminate the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) within the twelve months commencing from 20 May 2012.

Reference is made to the announcement of the Company dated 23 June 2003 in relation to, among others, the appointment of China Everbright as investment manager of the Company.

#### **THE AGREEMENT**

As disclosed in the announcement of the Company dated 23 June 2003, pursuant to the Agreement entered into between the Company and China Everbright, China Everbright would be entitled to an investment management fee (the “**Investment Management Fee**”) calculated at 0.25% per annum of the unaudited net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other dealing day (the “**Valuation Date**”) as considered appropriate by the Board and payable in cash on a monthly basis on a business date immediately after each Valuation Date. Further, China Everbright is entitled to a bonus fee (the “**Bonus Fee**”) equivalent to 10% of the audited profit before tax of each financial year of the Company payable in cash on the business date immediately after the publication of the Company’s final audited results for that year.

Further details of the powers and duties of China Everbright under the Agreement together with relevant background of China Everbright have disclosed in the announcement of the Company dated 23 June 2003.

## **THE FIRST SUPPLEMENTAL AGREEMENT**

On 23 October 2007, the Company and China Everbright entered into the First Supplemental Agreement. Pursuant to the terms and conditions of the First Supplemental Agreement, the parties agreed that the Investment Management Fee payable by the Company with effect from 1 January 2008 shall be fixed at the fixed sum of HK\$300,000 per annum and payable monthly by the Company to China Everbright and the Bonus Fee would be capped at a maximum of HK\$1,000,000 per annum. Pursuant to a confirmation dated 28 February 2012, China Everbright confirmed that they would waive all Bonus Fees payable by the Company under the Agreement, the First Supplemental Agreement and the Second Supplemental Agreement. As such, the annual cap for the Investment Management Fee payable by the Company to China Everbright for the period from 1 January 2008 to 20 May 2012 would be HK\$300,000 per annum.

Subject to the above amendments, the other terms and conditions of the Agreement remained the same.

## **THE SECOND SUPPLEMENTAL AGREEMENT**

On 28 February 2012, the Company and China Everbright entered into of the Second Supplemental Agreement. Pursuant to the terms and conditions of the Second Supplemental Agreement, the Company and China Everbright confirm the renewal of the Agreement. The parties further agree that the Investment Management Fee payable by the Company to China Everbright will be adjusted to HK\$960,000 per annum with effect from 20 May 2012 and payable monthly by the Company to China Everbright in HK\$80,000 per month. Furthermore, it was agreed that the Company and China Everbright shall not terminate the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) within the twelve months commencing from 20 May 2012. As such, the annual cap for the Investment Management Fee payable by the Company to China Everbright from 20 May 2012 to 20 May 2013 would be HK\$960,000 per annum.

Subject to the above amendments, the other terms and conditions of the Agreement remained the same.

## **REASONS FOP THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS**

The Company is an investment company listed under Chapter 21 of the Listing Rules on the Stock Exchange and aims to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC. Since 2003, the Company has appointed China Everbright to provide investment management services to the Company.

The First Supplemental Agreement and the Second Supplemental Agreement were entered into after arm's length negotiations with reference to the relevant fees chargeable by other investment managers and also the investment portfolio of the Company. Furthermore, the First Supplemental Agreement set a cap on the maximum Investment Management Fee chargeable by China Everbright and the Directors are of the view that such cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors are of the opinion that China Everbright will continue to have the necessary expertise in providing the investment management services to the Company in the future and the terms and conditions of the First Supplemental Agreement and the Second Supplemental Agreement are fair and reasonable and in normal commercial terms. The Directors consider that the execution of the First Supplemental Agreement and the Second Supplemental Agreement is fair and reasonable and in the best interests of the Company and the Shareholders as a whole, on normal commercial terms and in the ordinary and usual course of business of the Company.

## **LISTING RULES IMPLICATIONS**

Pursuant to Rule 21.13 of the Listing Rules, investment manager shall be regarded as a connected person of the Company. As such, the entering into of the First Supplemental Agreement and the Second Supplemental Agreement would constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The Second Supplemental Agreement would be subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. The annual Investment Management Fee will be HK\$960,000 per annum with effect from 20 May 2012 under the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement).

The Company confirms that the Agreement and the First Supplemental Agreement had been reviewed by the independent non-executive Directors and its auditors annually during the audit process of the annual audit. The Second Supplemental Agreement has been reviewed by the independent non-executive Directors and the auditors of the Company in accordance with the requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) has been entered on normal commercial terms and is in the ordinary and usual course of business of the Company.

The Company further confirms that it will comply with the relevant requirements of the Listing Rules in respect of any future agreements to be entered into between the Company and its investment manager.

## **DEFINITIONS**

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

“Agreement”	the investment management agreement entered into between the Company and China Everbright dated 23 May 2003 in relation to the appointment of China Everbright as the investment manager of the Company
“associates”	has the meaning ascribed to this term in the Listing Rules
“Board”	the board of Directors

“China Everbright”	China Everbright Securities (HK) Limited, a
“Company”	China Innovation Investment Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“First Supplemental Agreement”	the supplemental agreement dated 23 October 2007 entered into between the Company and China Everbright in respect of certain amendments to the terms of the Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Second Supplemental Agreement”	the supplemental agreement dated 28 February 2012 entered into between the Company and China Everbright in respect of certain amendments to the terms of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 11 October 2012

*As at the date of this announcement, the Executive Directors of the Company are Mr. Xiang Xin,*

*Mr. Chan Cheong Yee, Mr. Li Zhou and Mr. Jook Chun Kui Raymond; 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; Ms. Kung Ching is alternate director to Mr. Xiang Xin.*