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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)

**(I) PROPOSED OPEN OFFER OF
4,267,192,876 OPEN OFFER SHARES
AT HK\$0.05 PER OPEN OFFER SHARE
ON THE BASIS OF ONE (1) OPEN OFFER SHARE
FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE
AND
(II) CONNECTED TRANSACTION**

Financial adviser to the Company



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

Underwriters

Harvest Rise Investments Limited



英皇證券(香港)有限公司
Emperor Securities Limited

THE OPEN OFFER

The Board proposes to raise approximately HK\$213.4 million, before expenses, by issuing 4,267,192,876 Open Offer Shares (assuming no Shares to be issued or repurchased by the Company from the date of this announcement up to the Record Date) to the Qualifying Shareholders by way of the Open Offer, at the Subscription Price of HK\$0.05 per Open Offer Share on the basis of one (1) Open Offer Share for every two (2) Shares held on the Record Date.

UNDERWRITING AGREEMENT

All the 4,267,192,876 Open Offer Shares under the Open Offer will be fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement. If the Underwriting Agreement is terminated or rescinded or the conditions of the Open Offer set out in the paragraph headed “Conditions of the Open Offer” below are not satisfied in whole by the Company and the Underwriters, the Open Offer will not proceed.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the twelve-month period immediately preceding this announcement, the Open Offer is not subject to Shareholders’ approval under the Listing Rules.

As Harvest Rise is wholly and beneficially owned by Ms. Kung, who is an alternate Director and the spouse of Mr. Xiang (an executive Director, the chairman and chief executive officer of the Company), Harvest Rise is a connected person of the Company and the entering into of the Underwriting Agreement by the Company and the Underwriters constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the underwriting commission under the Underwriting Agreement are less than 5%, the Underwriting Agreement is subject to reporting and announcement requirements but exempted from the circular and Independent Shareholders’ approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

As the Company has made arrangement for application of the Open Offer Shares by the Qualifying Shareholders in excess of their assured entitlements under the Open Offer as referred to in Rule 7.26A(1) of the Listing Rules, the allotment and issue of the Open Offer Shares to Harvest Rise (as an Underwriter) pursuant to the Underwriting Agreement is fully exempted from the reporting, announcement and independent shareholders’ approval requirements under Rule 14A.92(2) of the Listing Rules.

The Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders (and for their information only without the Application Form and EAF, to the Excluded Shareholders, if any) on Wednesday, 25 May 2016.

WARNING

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.

Shareholders should note that the Shares will be traded on an ex-entitlement basis commencing from Monday, 16 May 2016 in respect of the Open Offer and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or potential investor of the Company dealing in the Shares up to the date on which all conditions of the Open Offer are fulfilled will bear the risk that the Open Offer does not become unconditional and does not proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

THE OPEN OFFER

The Company proposes to carry out the Open Offer on the following basis:

Issue statistics

Basis of the Open Offer: one (1) Open Offer Share for every two (2) Shares held on the Record Date

Subscription Price: HK\$0.05 per Open Offer Share

Number of Shares in issue as at the date of this announcement: 8,534,385,753 Shares

Number of Open Offer Shares: 4,267,192,876 Open Offer Shares (assuming no Shares to be issued or repurchased by the Company from the date of this announcement up to the Record Date). As at the date of this announcement, the Company has not received any information from any substantial Shareholders of their intention to take up the Open Offer Shares under the Open Offer.

Aggregate nominal value of the Open Offer Shares to be issued: HK\$42,671,928.76

Amount to be raised before expenses: HK\$213.4 million

As at the date of this announcement, save for the outstanding Share Options entitling Share Options Holders to subscribe for an aggregate of 536,000,000 new Shares, the Company has no other outstanding derivatives, options, warrants or securities in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming no Shares to be issued or repurchased by the Company from the date of this announcement up to the Record Date, 4,267,192,876 Open Offer Shares will be allotted and issued under the Open Offer. The Open Offer Shares represent (i) approximately 50.0% of

the issued share capital of the Company as at the date of this announcement; and (ii) approximately 33.33% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Open Offer Shares.

Subscription Price

The Subscription Price of HK\$0.05 per Open Offer Share is payable in full upon application for the Open Offer Shares under the Open Offer and represents:

- (i) a discount of approximately 5.66% to the closing price of HK\$0.053 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.85% to the average closing price of HK\$0.052 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 3.85% to the theoretical ex-entitlement price of approximately HK\$0.052 per Share as adjusted for the effects of the Open Offer, based on the closing price of HK\$0.053 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iv) a discount of approximately 11.82% to the audited consolidated net assets per Share of approximately HK\$0.0567 as at 31 December 2015 (based on the Company's consolidated net assets attributable to owners of the Company of approximately HK\$483,981,000 as at 31 December 2015 and 8,534,385,753 Shares in issue as at the date of this announcement).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, the prevailing market condition, market price and trading liquidity of the Shares. Taken into account that the Open Offer will enable all the Qualifying Shareholders entitled to subscribe for the Open Offer Shares at the same Subscription Price in proportion to their shareholdings held on the Record Date, and that the Subscription Price has been set at a slight discount to the recent closing prices of the Shares to encourage existing Shareholders to take up their entitlements and participate in the future development of the Company, the Directors consider the terms of the Open Offer, including the Subscription Price, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net issue price (after deducting the costs and expenses in relation to the Open Offer, including the underwriting commission) of the Open Offer Shares is approximately HK\$0.048 per Open Offer Share.

Qualifying Shareholders

To qualify for the Open Offer, Shareholders must be registered as a member of the Company as at the close of business on the Record Date and not an Excluded Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to

consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status and actions to be taken.

In order to be registered as members of the Company for the entitlement of the Open Offer, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong no later than 4:30 p.m. on Tuesday, 17 May 2016.

Excluded Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. If there are Overseas Shareholders on the Record Date, the Directors will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Open Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders.

The result of the enquiries and the basis of the exclusion, if any, will be included in the Prospectus.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 18 May 2016 to Tuesday, 24 May 2016, both dates inclusive, to determine the entitlements to the Open Offer. No transfer of Shares will be registered during the book closure period.

Status of the Open Offer Shares

Each of the Open Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of their respective allotment and issue. Holders of the Open Offer Shares will be entitled to receive all future dividends and distributions which are declared after the date of their allotment and issue.

Fractions of the Open Offer Shares

Entitlement to the Open Offer will be rounded down to the nearest whole number. No fractional entitlements to the Open Offer Shares will be issued to the Qualifying Shareholders. The Company noted that there are a large number of registered Shareholders holding 1 Share. Since no fractional Open Offer Share will be issued under the Open Offer, Application Form will not be issued to such Shareholders for their assured entitlement of fractional Open Offer Share. While such Shareholders are entitled to the excess application, EAF will be issued to them only.

Any Open Offer Shares created from the aggregation of fractions of the Open Offer Shares will be available for excess application by the Qualifying Shareholders. Should there be no excess application by the Qualifying Shareholders, those Open Offer Shares created from the aggregation of fractions of the Open Offer Shares will be taken up by the Underwriters.

Share certificates and refund cheques for the Open Offer

Subject to the fulfilment of the conditions of the Open Offer, share certificates for all Open Offer Shares are expected to be posted on or before Monday, 20 June 2016 to those entitled thereto by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Open Offer Shares, or if the Open Offer is terminated, refund cheques in respect of the applications for Open Offer Shares are expected to be posted on or before Monday, 20 June 2016 by ordinary post to the applicants at their own risk.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Open Offer Shares.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the grant of the approval for the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Open Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Open Offer Shares to be admitted into CCASS.

Application for excess Open Offer Shares

The Open Offer Shares to which the Excluded Shareholders would otherwise have been entitled, any assured allotments of the Open Offer Shares which have not been accepted by the Qualifying Shareholders and the Open Offer Shares created by aggregation of fractional Open Offer Shares, will be available for excess application by the Qualifying Shareholders. The Qualifying Shareholders are entitled to apply for any Open Offer Shares in excess of their own assured allotments by completing an EAF, but are not assured of being allocated any Open Offer Shares in excess of their assured allotments under the Application Forms.

The Company will allocate the excess Open Offer Shares over the assured allotment on a pro-rata basis fair and equitable to all applicants of the excess Open Offer Shares at the discretion of the Directors. The basis of allocation of such excess Open Offer Shares will be disclosed in the Prospectus.

In the event that the Board noted unusual patterns of excess applications and had reason to believe that any application may have been made with the intention to abuse the mechanism, such application(s) for excess Open Offer Shares may be rejected at the sole discretion of the Board.

No preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Open Offer Shares should note that there is no guarantee that such odd lots of the Open Offer Shares will be topped up to create whole board lots pursuant to applications for excess Open Offer Shares. Any Open Offer Shares not applied for by the Qualifying Shareholders and not taken by excess application will be taken up by the Underwriters.

Shareholders with their Shares held by a nominee (including HKSCC Nominees Limited) should note that the Directors will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (including HKSCC Nominees Limited) should note that the aforesaid arrangements in relation to the allocation of excess Open Offer Shares will not be extended to them individually.

The Application Form and the EAF will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to accept the Open Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Application may be made only by the Qualifying Shareholders by completing an EAF and lodging the same with a separate remittance for the excess Open Offer Shares being applied for.

Qualifying Shareholders who do not take up the Open Offer Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Odd lot matching

In order to facilitate the trading of odd lots of the new Shares arising from the Open Offer, the Company will appoint a designated broker as matching agent to provide matching service, on a best effort basis, to those Shareholders who wish to top-up or sell their shareholdings of odd lots of the Shares during the period from 9:00 a.m. on Tuesday, 21 June 2016 to 4:30 p.m. on Tuesday, 12 July 2016 (both days inclusive). Details of the odd lot arrangements will be set out in the Prospectus.

Conditions of the Open Offer

The Open Offer is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Open Offer Shares by no later than the first day of their dealings;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (iv) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (v) the Share Options Holders having given the Share Options Holders Undertakings to the Underwriters;
- (vi) compliance with the performance of all the undertakings and obligations of the Share Options Holders under the Share Options Holders Undertakings;
- (vii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Underwriting Agreement and the transactions contemplated hereunder having been obtained and remaining in full force and effect; and
- (viii) all necessary consents and approvals required to be obtained on the part of the Underwriters in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

None of the conditions precedent as set out above is capable of being waived by any party to the Underwriting Agreement.

If the conditions precedent as set out above are not satisfied by the Latest Time for Termination (or such later date or dates as the Underwriters may agree with the Company in writing), the Underwriting Agreement shall terminate (save for any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise.

UNDERWRITING AGREEMENT

Date:	3 May 2016 (after trading hours)
Issuer:	The Company
Underwriters:	Harvest Rise and Emperor Securities
Number of Underwritten Shares:	4,267,192,876 Open Offer Shares (assuming no Shares to be issued or repurchased by the Company from the date of this announcement up to the Record Date). Harvest Rise has agreed to underwrite the first 3,815,858,000 Underwritten Shares while the remaining 451,334,876 Underwritten Shares will be underwritten by Emperor Securities.
Commission:	3%

As at the date of this announcement, Harvest Rise is holding 23,335,379 Shares and is wholly and beneficially owned by Ms. Kung, who is an alternate Director and the spouse of Mr. Xiang (an executive Director, the chairman and chief executive officer of the Company). Harvest Rise is an investment holding company and underwriting is not in the ordinary and usual course of business of Harvest Rise.

As at the date of this announcement, Emperor Securities does not hold any Shares and is an Independent Third Party. Emperor Securities is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. Underwriting is in the ordinary and usual course of business of Emperor Securities.

The commission payable to the Underwriters was determined after arm's length negotiations between the Company and the Underwriters with reference to the market rate of similar transactions. The Directors consider that such amount is on normal commercial terms and fair and reasonable to the Company.

Having considered that (i) the commission rate offered by the Underwriters is comparable to that offered by other financial institutions; (ii) the experience and financial resources of Emperor Securities for underwriting securities; and (iii) Mr. Xiang has been the executive Director of the Company since January 2003 and has full understanding of the business of the Company, the underwriting of the Open Offer by Harvest Rise would closely align his interest with that of the Company due to his deemed interest in Harvest Rise, the Directors (including the independent non-executive Directors) consider the entering into of the Underwriting Agreement with the Underwriters is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Share Option Holders Undertakings

Each of the Share Options Holders has indicated to the Company that they will not dispose of, or enter into any agreement/arrangement to disposal of, or exercise any subscription rights attaching to, the Share Options beneficially owned by each of the Share Option Holders from the date of the Underwriting Agreement up to the Record Date.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a Business Day on which a Storm Warning is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no Storm Warning is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of Emperor Securities (on behalf of the Underwriters), the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of Emperor Securities (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of Emperor Securities (on behalf of the Underwriters) materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (ii) any adverse change in market conditions (including, without limitation, any change in fiscal or monetary policy or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of Emperor Securities (on behalf of the Underwriters) is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) there is any change in the circumstances of the Company which in the absolute opinion of Emperor Securities (on behalf of the Underwriters) will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not ejusdem generis with any of the foregoing; or

- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the absolute opinion of Emperor Securities (on behalf of the Underwriters), a material omission in the context of the Open Offer; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of any announcements and the Prospectus Documents in connection with the Open Offer,

Emperor Securities (on behalf of the Underwriters) is entitled by notice in writing to the Company prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Emperor Securities (on behalf of the Underwriters) shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or
- (ii) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of any of the Underwriters.

Any such notice shall be served by Emperor Securities (on behalf of the Underwriters) prior to the Latest Time for Termination.

If prior to the Latest Time for Termination, any notice referred to above is given by Emperor Securities (on behalf of the Underwriters), the obligations of all parties under the Underwriting Agreement shall be terminated forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriting Agreement is terminated or rescinded, neither the Company nor the Underwriters shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer will not proceed.

Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

Reason for the Open Offer and use of proceeds

The Company is an investment company and is principally engaged in investment in listed and unlisted companies. Due to the current market retreat in the Hong Kong stock market, the Company is of the view that the valuations of Hong Kong listed companies are underpriced, and represents a good investment opportunity. The Company wishes to take such opportunity to invest in the Hong Kong stock market and intends to raise more fund in order to invest in the segments of low-carbon vehicles, low-carbon property, low-carbon digital, low-carbon living and smart city unlisted projects.

The Directors consider that the Open Offer will (i) allow the Company to strengthen its financial position; (ii) increase the capital base of the Company for future investment purposes; and (iii) provide funding to capture suitable investment opportunities as and when they arise. In addition, the Open Offer would provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Therefore, the Directors consider that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

Apart from the Open Offer, the Board has also considered other financing alternatives such as bank borrowing, issue of new shares and rights issue. Bank borrowing or debt financing will incur interest expenses. Assuming the gross proceeds of approximately HK\$213.4 million from the Open Offer is financed by bank borrowing, based on the prime rate of 5% for Hong Kong dollars, the Company will incur interest expenses of approximately HK\$10.7 million per annum. Equity financing by way of the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company, continue to participate in the future development of the Company without incurring finance cost to the Company and being diluted, therefore the Open Offer is a preferred means of fund raising than debt financing or other equity financing to the Company.

Although a rights issue will allow the Shareholders to trade their nil-paid entitlements in the market in nil-paid form, the Board is of the view that such trading arrangements will increase the administrative work and expenses for the proposed fund raising exercise which is estimated to be approximately HK\$100,000. In addition, since the liquidity of the Shares is thin with average daily trading volume of the Shares in January 2016, February 2016, March 2016 and April 2016 representing approximately 0.46%, 0.37%, 1.38% and 1.69% respectively of the total issued Shares as at the Last Trading Day, there is uncertainty of the existence of an active market to trade the nil-paid rights. In view of the above and the loss-making position of the Company for the year ended 31 December 2015, the Board considers raising funds by way of the Open Offer is more cost-effective and efficient as compared to a rights issue.

The gross proceeds of the Open Offer will be approximately HK\$213.4 million. The estimated net proceeds of the Open Offer will be approximately HK\$205.5 million and the Company intends to apply such net proceeds to invest in the low-carbon vehicles, low-carbon property, low-carbon digital, low-carbon living and smart city unlisted projects with an estimated investment amount of not more than HK\$100 million for each project, totaling not more than HK\$400 million.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon completion of the Open Offer (assuming no further Shares to be issued or repurchased by the Company from the date of this announcement up to the Record Date).

Shareholders	As at the date of this announcement		Upon completion of Open Offer			
			Assuming all Shareholders take up the Open Offer Shares		Assuming no Shareholders take up the Open Offer Shares	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Guotai Investment (Note 1)	2,362,720,000	27.68%	3,544,080,000	27.68%	2,362,720,000	18.46%
Harvest Rise (Note 2)	23,335,379	0.27%	35,003,068	0.27%	3,839,193,379	29.99%
Emperor Securities	—	—	—	—	451,334,876	3.53%
Public Shareholders	<u>6,148,330,374</u>	<u>72.05%</u>	<u>9,222,495,561</u>	<u>72.05%</u>	<u>6,148,330,374</u>	<u>48.02%</u>
Total	<u>8,534,385,753</u>	<u>100.00%</u>	<u>12,801,578,629</u>	<u>100.00%</u>	<u>12,801,578,629</u>	<u>100.00%</u>

Notes:

- Guotai Investment is wholly and beneficially owned by 上海海通證券資產管理海通國太1號定向管理計劃 (Shanghai Haitong Securities Management Haitong Guotai Management Scheme*)
- Harvest Rise is wholly and beneficially owned by Ms. Kung. Therefore, Ms. Kung is deemed to be interested in the Shares held by Harvest Rise.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

Apart from the fund raising activity mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Capital raising activity	Net proceeds raised (approximate)	Proposed use of the net proceeds	Actual use of the net proceeds
4 June 2015	Placing of 1,395,000,000 placing Shares under general mandate at HK\$0.134 per placing Share	HK\$183.0 million	Investing in unlisted and listed companies and general working capital of the Company	HK\$90.8 million has been used in investment

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below for indicative purposes only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. All times and dates in this announcement refer to Hong Kong local times and dates. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

Event	Time and Date 2016
Last day of dealing in Shares on a cum-entitlement basis	Friday, 13 May
First day of dealing in Shares on an ex-entitlement basis	Monday, 16 May
Latest time for lodging transfer of Shares in order to qualify for the Open Offer	4:30 p.m. Tuesday, 17 May
Register of members of the Company closes (both dates inclusive)	Wednesday, 18 May to Tuesday, 24 May
Record Date to determine entitlements under the Open Offer	Tuesday, 24 May
Register of members of the Company re-opens	Wednesday, 25 May
Despatch of the Prospectus Documents	Wednesday, 25 May
Latest time for acceptance of and payment for Open Offer Shares, and application for excess Open Offer Shares	4:00 p.m. Wednesday, 8 June
Latest time for termination of the Underwriting Agreement	4:00 p.m. Tuesday, 14 June
Announcement of results of the Open Offer to be published on the Stock Exchange website	Friday, 17 June
Despatch of share certificates for the Open Offer Shares and/or refund cheques in respect of unsuccessful excess applications (if any) and if the Open Offer is terminated	Monday, 20 June
First day of dealing in the Open Offer Shares	9:00 a.m. Tuesday, 21 June
Designated broker starts to stand in the market to provide matching service for odd lots of Shares	9:00 a.m. Tuesday, 21 June
Designated broker ceases to stand in the market to provide matching service for odd lots of Shares	4:30 p.m. Tuesday, 12 July

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the twelve-month period immediately preceding this announcement, the Open Offer is not subject to Shareholders' approval under the Listing Rules.

As Harvest Rise is wholly and beneficially owned by Ms. Kung, who is an alternate Director and the spouse of Mr. Xiang (an executive Director, the chairman and chief executive officer of the Company), Harvest Rise is a connected person of the Company and the entering into of the Underwriting Agreement by the Company and the Underwriters constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the underwriting commission under the Underwriting Agreement are less than 5%, the Underwriting Agreement is subject to reporting and announcement requirements but exempted from the circular and Independent Shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

As the Company has made arrangement for application of the Open Offer Shares by the Qualifying Shareholders in excess of their assured entitlements under the Open Offer as referred to in Rule 7.26A(1) of the Listing Rules, the allotment and issue of the Open Offer Shares to Harvest Rise (as an Underwriter) pursuant to the Underwriting Agreement is fully exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.92(2) of the Listing Rules.

As Mr. Xiang has a material interest in the Underwriting Agreement and the transactions contemplated thereunder through his relationship with Ms. Kung, Mr. Xiang had abstained from voting on the resolutions of the Board to approve the Underwriting Agreement and the transactions contemplated thereunder.

The Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders (and for their information only without the Application Form and EAF, to the Excluded Shareholders, if any) on Wednesday, 25 May 2016.

WARNING

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon, amongst others, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Shareholders should note that the Shares will be traded on an ex-entitlement basis commencing from Monday, 16 May 2016 in respect of the Open Offer and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or potential investor of the Company dealing in the Shares up to the date on which all conditions of the Open Offer are fulfilled will bear the risk that the Open Offer does not become unconditional and does not proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

“Application Form(s)”	the form(s) of application to be issued to the Qualifying Shareholders to apply for the Open Offer Shares for their Shareholders’ assured entitlement under the Open Offer in the agreed form
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day, other than Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Innovation Investment Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1217)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders, pursuant to which the Qualifying Shareholders may apply for the Open Offer Shares in excess of such Shareholders’ assured entitlement under the Open Offer in the agreed form
“Emperor Securities”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being one of the Underwriters
“Excluded Shareholders”	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Open Offer Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place

“Guotai Investment”	國太投資控股(集團)有限公司 (Guotai Investment Holding (Group) Company Limited*), a substantial Shareholder holding 2,362,720,000 Shares as at the date of this announcement
“Harvest Rise”	Harvest Rise Investments Limited, a company incorporated in British Virgin Islands and wholly and beneficially owned by Ms. Kung, being one of the Underwriters
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholder(s) other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associate(s)
“Last Trading Day”	3 May 2016, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 8 June 2016 or such later time as may be agreed between the Company and the Underwriters, being the latest time for acceptance of and payment for the Open Offer Shares and excess Open Offer Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 14 June 2016 or such later time to be agreed between the Company and the Underwriters, being the latest time for the Underwriters to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xiang”	Mr. Xiang Xin, the executive Director, chief executive officer and chairman of the Company
“Ms. Kung”	Ms. Kung Ching, an alternate Director and spouse of Mr. Xiang

“Open Offer”	the proposed issue of the Open Offer Shares by way of open offer on the basis of one (1) Open Offer Share for every two (2) Shares held on the Record Date to the Qualifying Shareholders at the Subscription Price of HK\$0.05 per Open Offer Share
“Open Offer Share(s)”	4,267,192,876 new Shares to be issued by the Company pursuant to the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) which is/are outside Hong Kong
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus, the Application Form and EAF
“Prospectus Posting Date”	25 May 2016 or such later date as may be agreed between the Company and the Underwriters, being the date of despatch of Prospectus Documents
“Qualifying Shareholders”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	24 May 2016 (or such other date as may be agreed between the Company and the Underwriters to determine entitlements of the Open Offer in writing)
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Share Options”	the outstanding Share Options entitling the holders thereof to subscribe 536,000,000 Shares at the exercise price of HK\$0.05 per Share, subject to adjustments
“Share Options Holders”	holders of the Share Options

“Share Options Holders Undertakings”	the irrevocable undertaking given by the holders of the Share Options in favour of the Underwriters not to exercise the 536,000,000 outstanding Share Options held by them from the date of the Underwriting Agreement to the close of business on the Record Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Storm Warning”	a tropical cyclone warning signal no. 8 or above or a black rainstorm warning
“Subscription Price”	the subscription price of HK\$0.05 per Open Offer Share under the Open Offer
“Underwriter(s)”	collectively Harvest Rise and Emperor Securities
“Underwriting Agreement”	the underwriting agreement date 3 May 2016 entered into between the Company and the Underwriters in relation to the Open Offer
“Underwritten Shares”	the 4,267,192,876 Open Offer Shares to be underwritten by the Underwriters pursuant to the Underwriting Agreement
“%”	per cent.

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

Hong Kong, 3 May 2016

As at the date of this announcement, the executive directors of the Company are Mr. Xiang Xin (Chairman), Mr. Chan Cheong Yee and Mr. Li Zhou; the non-executive directors are Mr. Sun Kuan Chi, Mr. Jook Chun Kui Raymond, Ms. Chen Jiajing (duties suspension) and Ms. Jiang Linlin (duties suspension); the independent non-executive directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang; Ms. Kung Ching is an alternate director to Mr. Xiang Xin.

* *For identification purpose only.*