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**CHINA INNOVATION
INVESTMENT LIMITED**

中國創新投資有限公司

(於開曼群島註冊成立之有限公司)

(股份代號: 1217)



**CHINA TRENDS
HOLDINGS LIMITED**

中國趨勢控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號: 8171)

UPDATE ABOUT FALSE NEWS REPORTS (23)

CLARIFICATION STATEMENT ON FALSE REPORTS BY SOME MEDIA

Reference is made to the announcements (the “Announcements”) of **China Innovation Investment Limited** (the “Company”) about the false news reports dated 24 November 2019, 25 November 2019, 5 December 2019, 12 December 2019, 17 December 2019, 27 December 2019, 30 December 2019, 17 February 2020, 27 February 2020, 2 June 2020, 17 June 2020, 22 June 2020, 1 July 2020, 8 October 2020, 11 October 2020, 9 November 2020, 1 February 2021, 2 February 2021, 5 February 2021, 4 March 2021, 8 April 2021 and 11 April 2021. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

China Innovation Investment Limited (“China Innovation”) and **China Trends Holdings Limited** (“China Trends”) have been aware of the ongoing news reports since 8 April 2021 regarding the alleged involvement of China Innovation, China Trends and its Chairman of the Board and Chief Executive Officer, Mr. Xiang Xin (“Mr. Xiang”), and the Alternate Director of Mr. Xiang, Ms. **Kung Ching** (“Ms. Kung”), in the “espionage” and “money laundering” cases in Taiwan that involve a significant amount of untrue, slanderous and defamatory contents. In response to inquiries from the relevant banks and related parties, and after consulting with Hong Kong and Taiwan lawyers for legal advice, we hereby solemnly clarify and publicly declare as follows:

I. China Innovation and China Trends have been listed on the Hong Kong Stock Exchange for nearly 20 years and are highly regulated public companies, which are not and cannot be subordinate units of the Chinese People's Liberation Army General Staff Department; have never infiltrated the Hong Kong financial market for collection of any military intelligence; never invested in Taiwan media in an attempt to control the media; have never acquired a presence in Taiwan or organised cyberwarfare in an attempt to influence elections in Taiwan; and Mr. Xiang and Ms. Kung have never worked for the Chinese People's Liberation Army General Staff Department nor its subordinate units, and they have never been in charge of any intelligence work in Hong Kong and Taiwan for the Chinese People's Liberation Army;

II. China Innovation and China Trends have never directly or indirectly received HK\$203 million from Guotai Company. The Priority Investment Agreement and the Supplemental Agreement entered into on 29 February and 16 March 2016 respectively, were clearly declared in the announcement on the same dates as connected and major transactions and subject to a foreign investment structure. Such connected and major transactions are governed by the Listing Rules of Hong Kong and the laws of Hong Kong (the court of Taiwan have no jurisdiction) and are subject to review and approval by regulatory authorities, professional advisors, and shareholders' meetings. The transaction process is legal, open and transparent, and any "attempting to conceal" or "retrieving the proceeds of crime" as alleged by the Taiwan prosecutors are never possible;

III. China Innovation and China Trends have announced the termination of such Priority Investment Agreement and Supplemental Agreement and the suspension of the three directors appointed by Guotai Company on the third day after the media in Mainland China disclosed the alleged illegal fundraising ("Guotai Incident") by Guotai Company on 6 April 2016, and at the subsequent annual general meeting these three directors were removed. Prior to the disclosure of the Guotai Incident by the media, China Innovation, China Trends, Mr. Xiang and Ms. Kung had no knowledge of the suspected illegal fundraising by Guotai Company, had never engaged in the alleged "hundred-billion fundraising", and had never had any "secret engagements" with Guotai Company;

IV. Mr. Xiang also appointed a Hong Kong lawyer, a PRC lawyer and/or a Hong Kong financial advisor to make a special report to the Hong Kong SFC, the Hong Kong Police Force and the Shanghai Public Security Bureau and to request for an investigation immediately after the media exposure of the Guotai Incident, subsequently, the Hong Kong SFC decided that Mr. Xiang, Ms. Kung and their subsidiaries were "not parties acting in concert" with Guotai Company, and the Hong Kong Police Force issued a certificate of no criminal record to Mr. Xiang and Ms. Kung; the Shanghai judicial authorities have never confiscated any assets of China Innovation, China Trends, Mr. Xiang or Ms. Kung, nor have they commenced any criminal prosecution;

V. China Innovation, China Trends, Mr. Xiang and Ms. Kung have never conspired with Guotai Company to solicit investors to purchase Huangshan Real Estate, never laundered money through the "Wealth Storm" e-commerce platform, never offered the "Qiangqiantong" app investment channel, never guaranteed returns of up to 12% to 16% interest on investments, and never extracted more than RMB 40 billion from them. On the contrary, China Innovation, China Trends, Mr. Xiang and Ms. Kung were informed by the media on 28 June 2021 that a lawsuit filed by the person in charge of Huangshan

Real Estate against certain media for alleged defamation had been judged in favour of Huangshan Real Estate by a number of Mainland China courts earlier this year and the media concerned had paid compensation and issued an apology;

VI. The transferee of the shares sold by Mr. Xiang's private company on 28 December 2015 was Haitong International Securities Group Limited in Hong Kong for the benefit of Shanghai Haitong Securities Asset Management Haitong Guotai No. 1 Directional Management Plan (QDII), in which Guotai Company is the investor. Such share sale transactions took place in Hong Kong and are governed by Hong Kong law (the court of Taiwan have no jurisdiction) and the currency of the transactions is Hong Kong dollars. There is no evidence that the funds invested by Guotai Company in the QDII were illegally acquired, nor is there any evidence that the funds in the QDII were illegally acquired. There was only evidence that the QDII was a creditor of Guotai Company;

VII. The proceeds from such share sale transactions belong to Mr. Xiang's private company and have no association with China Innovation or China Trends, and the proceeds from the share sales have never been credited to the bank accounts of China Innovation or China Trends. These share sale transactions are pre-vetted, post-monitored "big deal" (also known as "huge deal" in Taiwan) and are in no way public share transactions that can be freely traded at any time. At all material times, not only were the proceeds of such share sale transactions not credited to the accounts of China Innovation and China Trends, but also there was no alleged 2.5 times premium on the transaction price;

VIII. The abovementioned share proceeds have never been remitted to the bank accounts of Mr. Xiang and Ms. Kung, and Mr. Xiang and Ms. Kung purchased their properties in Taiwan with their own funds, the amount was only NT\$290 million, not NT\$740 million or NT\$800 million, so there was never any possibility of the alleged "monies flowing back" or "house purchase fund flowing back" to Guotai Company as alleged by the Taiwan prosecutors. In addition, Mr. Xiang and Ms. Kung remitted funds from their Hong Kong bank accounts held under their own names to their Taiwan bank accounts under the same names, and the properties were also under their real names. The purchase process was also approved by the Ministry of Interior and the Central Bank of Taiwan, and professionals such as lawyers, real estate agents and agents assisted. This will never constitute an element of "money laundering" such as concealment or a break in the flow of money.

China Innovation, China Trends, Mr. Xiang and Ms. Kung express their regrets at the publication of inaccurate information by certain media, and sincerely call on the parties concerned to give more thought and to distinguish between right and wrong. For example, it is impossible for a highly regulated listed company to be a spy agency; significant transactions / connected transactions / major transactions that are vetted in advance and monitored afterwards must be legitimate; QDII trading funds approved by the government is certainly legal; there is no subjective motive at all in taking the initiative to request for the judiciary's investigation; using one's own funds to buy properties in one's own name is not "money laundering" at all; "being named espionage" first and then "being named money launderer" are clearly not "judicial" but "political".

It is well known that any media slander or libel that appears out of thin air has a specific political background. In fact, "being named espionage" is already a fabrication and

rumour and “being named money launderer” is a ridiculous allegation. China Innovation, China Trends, Mr. Xiang and Ms. Kung have referred the matter to their lawyers for investigation and management. We hope that the relevant media and organisations will report the incident fairly and impartially based on their own analysis and judgment, defend the objectivity and neutrality of the news, safeguard democracy and the rule of law, and prevent the media from becoming a tool for political conflicts.

The Company will make further announcements with any material developments in this matter or in accordance with other requirements of the Listing Rules.

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

Hong Kong, 30 July 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. **Xiang Xin** (Chairman) and Mr. **Chan Cheong Yee**; the independent non-executive directors of the Company are Ms. **An Jing**, Ms. **Zhou Zan** and Mr. **Zhang Yu, Clement**. Ms. Kung Ching is an alternate director to Mr. Xiang Xin.*