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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)**

### **COOPERATION FRAMEWORK AGREEMENT IN RELATION TO THE INVESTMENT IN CIVIL AND MILITARY DUAL-USE MULTI-MEDIA SYSTEM INTEGRATION ENTERPRISE BEIJING GUANHUA GLORY AV SYSTEM INTEGRATION CO., LTD.**

The Board is pleased to announce that on 21 May 2008, the Company entered into the Cooperation Framework Agreement with Beijing Guanhua, pursuant to which the Company shall invest in Beijing Guanhua subject to the fulfillment of certain conditions.

Beijing Guanhua is a civil and military dual-use multi-media system integration enterprise registered in the PRC, and has developed into a diversified enterprise with businesses covering from military publication system and surveillance system, television broadcasting system and network design, research and development of software, repair and maintenance of equipments to product dealership etc. Following preliminary review, Beijing Guanhua satisfies the requirements to be listed as an A-Share in the PRC.

If the parties fail to complete cooperation in accordance to certain conditions in the Cooperation Framework Agreement within three months, the Company shall be entitled to withdraw from investment.

**The Directors wish to reiterate that the subject transaction may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in securities of the Company.**

### **COOPERATION FRAMEWORK AGREEMENT**

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## **INFORMATION ABOUT BEIJING GUANHUA**

Beijing Guanhua is a civil and military dual-use multi-media system integration enterprise registered in the PRC, and has developed into a diversified enterprise with businesses covering from military publication system and surveillance system, television broadcasting system and network design, research and development of software, repair and maintenance of equipments to product dealership etc. Following preliminary review, Beijing Guanhua satisfies the requirements to be listed as an A-Share in the PRC.

## **PRINCIPAL TERMS OF THE COOPERATION FRAMEWORK AGREEMENT**

Subject to the fulfillment of the following conditions, the Company shall make capital investments to and acquire certain equity interests of Beijing Guanhua:

1. Beijing Guanhua having restructured its shareholding structure according to the proposal of China Innovation and divested from secondary businesses;
2. Beijing Guanhua having undertaken that key management personnel will not resign after the restructuring of shareholding structure;
3. China Innovation being satisfied with the audited financial statements of Beijing Guanhua;
4. China Innovation being satisfied with all contracts executed with external parties by Beijing Guanhua;
5. Beijing Guanhua having agreed that China Innovation shall acquire not more than 30% equity interests of Beijing Guanhua at a consideration of the higher of its net assets or at a price earning multiple of five times, and having obtained approval from relevant government authorities;
6. Beijing Guanhua having agreed that after the acquisition of its shares by China Innovation, China Innovation shall arrange for Beijing Guanhua to apply the listing as an A-Share in the PRC in 2009.

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

The Company is an investment company under Chapter 21 of the Listing Rules. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC. The Company intends to achieve its strategy of medium-term capital appreciation through investment and participation in the capital restructuring of PRC enterprises engaged in military industries (particularly, those engaged in the commercialisation and development of technologies used in military for civil and commercial applications).

## **GENERAL**

This announcement is intended to set out the salient features of the Cooperation Framework Agreement. In the event of the consummation of the transaction contemplated under the Cooperation Framework Agreement, the subject transaction may constitute a notifiable transaction for the Company under Rule 14.06 of the Listing Rules. Further announcement(s) will be made by the Company in respect of any material development on any possible transactions and actions which will be taken to comply with the disclosure and/or approval requirements under the Listing Rules.

**The Directors wish to reiterate that the subject transaction may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in securities of the Company.**

## DEFINITIONS

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

“associates”	shall have the meaning as ascribed to it by the Listing Rules
“Beijing Guanhua”	北京冠華榮信系統工程股份有限公司(Beijing Guanhua Glory AV System Integration Co., Ltd.*), a company incorporated in the PRC with limited liability, being an Independent Third Party
“Board”	the board of Directors
“Company”	China Innovation Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Cooperation Framework Agreement”	the cooperation framework agreement dated 21 May 2008 entered into between the Company and Beijing Guanhua in relation to the possible investment of equity interests in Beijing Guanhua
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s), or in the case of corporations, their ultimate beneficial owners, independent of and not connected with the Company and its subsidiaries and its connected persons, or in the case of corporations, their ultimate beneficial owners or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 May 2008

*As at the date of this announcement, the executive Directors of the Company are Mr. Xiang Xin (Chief Executive Officer), Mr. Chan Cheong Yee and Mr. Wong Chak Keung; the non-executive Directors are Mr. Wang Qing Yu (Chairman) and Mr. Ng Kwong Chue Paul; the independent non-executive Directors are Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.*

\* *for identification purpose only*