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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)

STEPS TAKEN BY BLUE ANGEL CHINA IN ZHENJIANG PROTECTING ITS RIGHTS AND THE BANK ACCOUNT BEING FROZEN AND RESUMPTION OF TRADING

This announcement is made by China Innovation Investment Limited (the “**Company**”) in compliance with Rule 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Background of Blue Angel China

Blue Angel (H.K.) Limited (“**Blue Angel HK**”) is a company incorporated in Hong Kong. The Company holds its interests in Blue Angel HK as investments. As at the date of this announcement, the issued share capital of Blue Angel (H.K.) Limited is divided into 28,500 Class A shares and 48,500 Class B shares whereas the Class B shares have no voting rights. The Company owns all the 48,500 Class B shares.

Blue Angel (China) Company Limited (“**Blue Angel China**”) is a company established in the Shenzhen, People’s Republic of China (the “**PRC**”) and is a wholly owned subsidiary of Blue Angel HK. Blue Angel China has its registered capital of HK\$130 million and the total investment of HK\$ 230 million. Save for its interest in Blue Angel China, Blue Angel HK does not have any other significant assets.

The Blue Angel China bank account being frozen

On 7 November 2012, the Company was informed by Blue Angel HK and Blue Angel China that when Blue Angel China proposed to pay its staff salaries, Blue Angel China was told by the relevant bank that its bank account was frozen by China Jiangsu Province Zhenjiang New District Public Security Bureau. The funds being frozen in the said bank account amount to approximately RMB5.06 million (equivalent to approximately over HK\$6.3 million) in Renminbi and approximately HK\$650,000 in Hong Kong dollars. As at the date of this announcement, to the best of the knowledge, information and belief of the directors of the Company (the “**Directors**”) having made all reasonable enquiries, Blue Angel China has not received any formal written notice from Zhenjiang New District Public Security Bureau nor the bank in relation to the freezing of the bank account. According to the PRC legal advisers appointed by Blue Angel China, Zhenjiang New District Public Security Bureau currently is not obligated to inform Blue Angel China the reason for freezing the bank account.

Background of the events

Despite the aforesaid, as informed by Blue Angel China, the Company considers that the freezing of bank account may be related to the transactions between Fujieda Copper Foil Company Limited (the “**Fujieda company**”) and Blue Angel China, in which it was suspected to involve in issuing false value-added tax invoices matters.

To the best of the Directors’ knowledge, Fujieda company is a electrolytic copper foil manufacturing enterprise, which is a Sino-foreign joint venture set up between Zhenjiang New District Economic Development Corporation (a state-owned enterprise) and Takenaka Industry Company Limited (Hong Kong) (“**Takenaka**”) in or around 2006 in Zhenjiang New District, Jiangsu Province, the PRC.

Set out below are further details of the background of the events known by the Company as informed by Blue Angel China:

On 27 August 2011, 15 September 2011 and 15 October 2011, Fujieda company signed three “copper foil supplier and underwriting contract” with the Blue Angel China respectively. The contracts specified that Fujieda company had to sell copper foil of a total value of RMB 40.73 million to Blue Angel China and Blue Angel China would obtain ownership of the goods after payment whilst Fujieda company would only continue to keep the goods for and on behalf of Blue Angel China. Blue Angel China paid all purchase fees to Fujieda company

in accordance with the contracts. Nevertheless, Fujieda company only fulfilled sales of approximately RMB2 million but failed to perform its obligations for the remaining sales of copper foil of over RMB38 million.

On 20 March 2012, Blue Angel China agreed with Fujieda company that Fujieda company would assign its customer receivables to settle the outstanding sum. Nevertheless, Fujieda company improperly used their board of directors' seal to issue letters to its customers to confirm that Fujieda company have received the payments from them in full in or around June 2011. As such, Blue Angel China issued legal letters to Fujieda company and its customers for recovery, and made complaints to the relevant parties.

On 17 October 2012, Blue Angel China was informed by Zhenjiang New District Economic Development Corporation, the PRC shareholder of Fujieda company that the Zhenjiang New District Public Security Bureau had engaged in the investigation of Fujieda company matter since 10 October 2012.

Steps taken and to be taken by Blue Angel China

The Company has further been informed by Blue Angel China that Blue Angel China has verified all its relevant trading records, contracts, invoices and bills between Blue Angel China and Fujieda company in year 2010 and 2011 in detail under the guidance of its PRC legal advisers.

The "Use of Value Added Tax Invoice Provision" (the "**Provision**") written by the State Administration of Taxation of the People's Republic of China sets out the requirements of issue Value Added Tax invoices (the "**VAT invoices**"). For those completed transactions between Blue Angel China and Fujieda company in year 2010 and 2011 (except those transactions with contractual sum of over RMB38 million which have not completed), Blue Angel China has conducted verification with reference to the Provision and gets the following verification results:

- 1) It is required that the issued VAT invoices should match with the actual transactions. There were sale and purchase contracts to govern the transactions between Blue Angel China and Fujieda company and the corresponding VAT invoices are complete;
- 2) It is required under the Provision that the VAT invoices should be legible and in correct format. After verification, the relevant VAT invoices are legible with correct format, have complete invoice number. Furthermore, all transaction funds are from Blue Angel China's owned funds, instead of loans nor refunds;

- 3) The Provision requires the VAT invoice copy affixed with the financial seal or invoice stamp and those issued VAT invoices by Blue Angel China to Fujieda company were all affixed with required seal or stamp;
- 4) The Provision requires the relevant Value Added Tax to be paid on time. Blue Angel China confirmed that all Value Added Tax has been paid on time in accordance with the requirements of the Provision.

Furthermore, the Company is informed by Blue Angel China that in respect of the purchase of the goods by Blue Angel China from Fujieda company in total sums of RMB 40.73 million in 2011, Blue Angel China has fully complied with the obligations of the relevant contracts as the purchaser.

Blue Angel China has appointed a reputable PRC law firm to ask for the relevant documents from the relevant PRC authorities in order to further understand the reason(s) for the freezing of its bank accounts and will consider to take appropriate steps to protect its own interests.

Implications of the event to the Company

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.

The Directors believe the event that Blue Angel China bank account being frozen would be associated with Blue Angel China debt collection against Fujieda company in Zhenjiang New District. The Company will continue to monitor the development of the event and also the actual reason(s) for the occurrence of the event and will make further announcement(s) as and when appropriate when there is any material development of the case.

Blue Angel China constitutes one of the major investments of the Company. According to the interim report of the Company for the six months ended 30 June 2012, the investment project in Blue Angel Hong Kong accounted for 20% of net asset value of the Company as at 30 June 2012. For the financial years ended 31 December 2009, 2010 and 2011, the Company has received no dividends/distributions from Blue Angel HK as Blue Angel HK suffered losses since its incorporation. Since the bank account of Blue Angel China having been frozen, Blue Angel China might not further carry out its business operations and this may affect the investment value of the investment project. As disclosed above, Blue Angel China has appointed a reputable PRC law firm to ask for the relevant documents from the relevant PRC authorities in order to further understand the reason(s) for the freezing of its bank accounts

and will consider to take appropriate steps to protect its own interests.

The Company is actively monitoring the case and will further evaluate the impact of the event to the Company as a whole from time to time. As at the date of this announcement, save for the possibility that the investment in Blue Angel HK would be written off as a result of the event, the Directors (including the independent non-executive Directors) do not foresee if there is any other material adverse impact of the event to the Company.

As at 30 June 2012, the unaudited investment value in Blue Angel HK as recorded in the books of the Company amounted to approximately HK\$78,300,225. The exact extent of impairment and financial impact to the Group will be subject to further valuation and as at the date of this announcement, the Directors (including the independent non-executive Directors) cannot quantify the exact impairment amount.

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisation which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any other matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Further announcement(s) will be made by the Company as and when appropriate when there is any material development of the case. Shareholders and potential investors are advised to exercise caution in dealing with the shares of the Company.

RESUMPTION OF TRADING

Trading in Shares on the Stock Exchange has been suspended at the request of the Company with effect from 11:30 a.m. on 7 November 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 19 November 2012.

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

Hong Kong, 16 November 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.