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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 CHANGE OF INVESTMENT MANAGER**

Reference is made to the announcements of **China Innovation Investment Limited** (the “**Company**”) dated 23 June 2003, 11 October 2012, 1 April 2014, 15 May 2015 and 10 May 2018 (the “**Announcements**”) in relation to, among others, the Investment Management Agreement and Supplemental Agreements (collectively referred to as the “**Original Investment Management Agreements**”) with respect to the appointment of **China Everbright Securities (HK) Limited** (“**China Everbright**”) as investment manager of the Company. Definitions and terms used in this announcement, unless the context requires otherwise, shall bear the same meanings as defined in the Announcements.

On 27 October 2020, the Company received a notice for termination of the Original Investment Management Agreements from China Everbright, which said that China Everbright had decided to discontinue investment management services to all investment companies listed under Chapter 21 of the Listing Rules (“**Chapter 21 Investment Companies**”). The Original Investment Management Agreements will be formally terminated on 30 November 2020.

The board of directors (the “**Board**”) announces that the Company entered into a new investment management agreement (the “**New Investment Management Agreement**”) with **Evergrande Securities (Hong Kong) Limited** (“**ESHK**”) on 25 November 2020,

pursuant to which ESHK has agreed to act as the investment manager of the Company and to provide investment management services to the Company for a period of three years commencing from 1 December 2020 to 30 November 2023, and will extend for another 3 years upon expiry.

## **PRINCIPAL TERMS OF THE NEW INVESTMENT MANAGEMENT AGREEMENT**

Pursuant to the New Investment Management Agreement, ESHK will be appointed as the investment manager of the Company for an initial term of three years commencing from 1 December 2020 up to 30 November 2023 and the appointment will be automatically renewed for another successive period of 3 years upon expiry, unless terminated at any time by either the Company or ESHK by serving not less than three months' prior notice in writing on the other party. The appointment of ESHK as the new investment manager of the Company will be governed by the terms and conditions of the New Investment Management Agreement.

Pursuant to the New Investment Management Agreement, the Company shall pay to ESHK a fixed investment management fee of HK\$40,000 per month with effect from the effective date of the New Investment Management Agreement.

It is expected that the aggregate annual amount of management fees and related expenses to be paid by the Company for each of the financial year ended 31 December 2023 during the initial terms of the New Investment Management Agreement will not exceed the following amount:

	<b>For the year ended 31 December 2020 (1 month)</b>	<b>For the year ended 31 December 2021 (12 months)</b>	<b>For the year ended 31 December 2022 (12 months)</b>	<b>For the year ended 31 December 2023 (11 months)</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Total amount of management fees and related expenses to be paid by the Company pursuant to the New Investment Management Agreement	40,000	480,000	480,000	440,000

The investment management fee under the New Investment Management Agreement was agreed after arms-length negotiations between the Company and ESHK. In this regard, the Board (including the independent non-executive Directors) considers that the management fee and the related expenses payable under the New Investment Management Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Pursuant to the New Investment Management Agreement, ESHK shall, among others:

(1) identify, review and evaluate investment and disinvestments opportunities for the Company and negotiate the best terms of such investment and disinvestment for the Company;

(2) advise the Board on the merits of investment opportunities or information relevant to the making of judgments about the merits of investment opportunities and to render investment advice to the Board based upon such information as may reasonably be available to it and, in particular, assist the Board in structuring acquisitions and disposals;

(3) provide the Board with such information as may reasonably be available to it on opportunities to acquire or to dispose of investments of which ESHK becomes aware and which in the opinion of ESHK are or may be suitable for the Company;

(4) execute all lawful investment and disinvestments decisions of the Company with due care, skill and diligence in accordance with the instructions of the Board and the terms of the New Investment Management Agreement;

(5) monitor and keep under review the performance and status of the assets (including but not limited to cash and securities) of the Company from time to time, based on information as may reasonably be available to it, and to provide the Board with any assistance in relation to the Company's investment as it may require;

(6) calculate the net asset value of the Company in accordance with the By-laws and with any valuation method adopted by the Board as at each last dealing day on the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the Board for the purpose of calculating the net asset value of the Company and provide the calculation on request to the Board and the Shareholders;

(7) assess whether it is reasonable to make provision for future expenses and/or any possible diminution in value of investment out of the net amount derived from interest, dividends and other income received by the Company after meeting expenses, and consider the amount of cash required for future investment of the Company;

(8) provide the Board, the auditors of the Company, the company secretary of the Company or such other person as authorised by the Board, from time to time with such information as may be in the possession or control of ESHK as may reasonably be required for the keeping of such accounts, books, records and statements as may be required by applicable law and regulations (including without limitation the Listing Rules) for the proper conduct of the affairs of the Company; and

(9) act in accordance with all reasonable instructions given and authorities delegated to it from time to time by the Board and to keep the Board fully informed as to the discharge of its powers and duties hereunder.

Notwithstanding the foregoing, from time to time the Board may give ESHK directions in writing relating to the conduct of the business of the Company to be carried out by it

on behalf of the Company and ESHK shall exercise its powers and duties thereunder subject to and in accordance with such directions.

The Board shall retain overall control over the investment policies of the Company and may at its sole discretion resolve and decide on whether to approve any of the proposals submitted by ESHK.

## **REASONS FOR ENTERING INTO THE NEW INVESTMENT MANAGEMENT AGREEMENT**

On 27 October 2020, the Company received a notice for termination of the Original Investment Management Agreements from China Everbright, in which the Original Investment Management Agreements will be formally terminated on 30 November 2020. Accordingly, the Company appoints ESHK as its new investment manager to provide investment management services commencing from 1 December 2020.

Under the New Investment Management Agreement, the aggregate amount of the annual management fees and related expenses to be paid shall be the same as to the annual management fees paid for the year ended 31 December 2019 under the Original Investment Management Agreement. Furthermore, ESHK also has extensive investment management experience in Hong Kong in relation to investment companies listed under Chapter 21 of the Listing Rules. The Company believes that ESHK will be able to contribute towards the Company's new business development and direction, and to provide professional investment services to the Company. The Directors also consider that the investment experience of ESHK goes in line with the investment strategies of the Company and are of the view that its expertise will be beneficial to the Company and its shareholders as a whole.

The directors of the Company consider that ESHK can provide professional investment services and fulfil its role as the investment manager of the Company. Furthermore, the key persons in charge have not changed, and they have made up the management team of the existing investment manager China Everbright. The investment manager has not changed substantially, so ESHK would be appointed as the Company's investment manager.

## **BACKGROUND OF ESHK**

ESHK, previously known as **Grand Investment (Securities) Limited**, was incorporated in Hong Kong in 1989. ESHK was acquired and became a wholly-owned subsidiary of **China Evergrande Group** in 2018. China Evergrande Group ("**Evergrande**") is a company listed on the **Stock Exchange of Hong Kong** with the stock code of 3333. In 2019, its total assets reached RMB 2.3 trillion and its annual sales volume exceeded RMB 800 billion. It has 140,000 employees and rank 152<sup>nd</sup> on the Fortune Global 500 list.

ESHK is a wholly-owned subsidiary of Evergrande in Hong Kong. ESHK is licensed to carry out Type 1 (Dealing in securities), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management) of regulated activities

under the **Securities and Futures Ordinance** (“SFO”) with CE No. AFE504. ESHK is the exchange participant and options trading exchange participant of **The Stock Exchange of Hong Kong Limited** (“Stock Exchange” or “SEHK”), and a direct clearing participant of The SEHK Options Clearing House Limited (“SEOCH”) and **Hong Kong Securities Clearing Company Limited** (“HKSCC”).

ESHK is able to provide investment management services to Chapter 21 Investment Companies. The newly appointed responsible officer of ESHK, Mr. Chan Cheong Yee (“Mr. Chan”), has a long history of being an executive director and investment manager of Chapter 21 Investment Companies, namely **China Innovation Investment Limited** (stock code: 1217), **China Investment and Finance Group Limited** (stock code: 1226), **China Investment Development Limited** (stock code: 204), **China New Economy Fund Limited** (stock code: 80), **Unity Investment Holdings Limited** (stock code: 913), **Core Economy Investment Group Limited** (stock code: 339) and **Capital VC Limited** (stock code: 2324), each of which invests principally in the Greater China and Asia Pacific regions.

Mr. Chan is an executive director of the Company. As of the date of this letter, Mr. Chan does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

#### **LISTING RULES IMPLICATION**

ESHK will be a connected person of the Company pursuant to Rule 14A.08 of the Listing Rules upon the New Investment Management Agreement becoming effective.

The maximum annual aggregate amount of the management fee and related expenses to be paid by the Company to ESHK pursuant to the New Investment Management Agreement shall not exceed HKD480,000 per annum, which is less than HKD3,000,000 and 5% in respect of each of the percentage ratios prescribed under Rule 14.07 of the Listing Rules. The transaction contemplated under the New Investment Management Agreement is therefore exempt from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

Mr. Chan is an executive director of the Company. As of the date of this letter, Mr. Chan does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Since Mr. Chan is a responsible officer of ESHK, Mr. Chan is therefore considered to be interested in the New Investment Management Agreement and had abstained from voting on the Board resolutions for approving the New Investment Management Agreement and the transaction contemplated thereunder.

Save as disclosed in this announcement, none of the Directors are considered to have any material interests in the New Investment Management Agreement and are required to abstain from voting on the relevant Board resolutions.

#### **INFORMATION ON THE COMPANY**

The Company is an investment company under Chapter 21 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited, which invests in listed and non-listed companies to strive for medium-term gains from capital appreciation in the course of securitisation of corporate assets invested, and applies the same as the key operation strategy and income source.

Save as disclosed in this announcement, the Directors have no material interests in the New Investment Management Agreement. The Directors believe that the terms of the New Investment Management Agreement are fair and reasonable as far as the independent shareholders of the Company are concerned.

Lastly, the Board would like to take this opportunity to express its sincere gratitude to China Everbright for their contributions to the Company during their tenure of service as the investment manager of the Company and also express its warmest welcome to ESHK in joining the Company as the investment manager.

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

Hong Kong, 25 November 2020

*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.*