

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this Prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Innovation Investment Limited**, you should at once hand the Prospectus Documents to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents.

Subject to the granting of 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 date 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. You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



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)

**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**

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**

Capitalized terms used in this cover page shall have the same meanings as those defined in this Prospectus.

The Latest Time for Acceptance of and payment for the Open Offer Shares is at 4:00 p.m. on Wednesday, 8 June 2016. The procedures for acceptance of and payment for the Open Offer Shares are set out on page 19 of this Prospectus and the procedures for application and payment for the excess Open Offer Shares are set out on page 20 of this Prospectus.

Shareholders and potential investors should note that the Open Offer is conditional upon 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 have been traded on an ex-entitlement basis commencing from Monday, 16 May 2016 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 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 should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

25 May 2016

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EXPECTED TIMETABLE

Event	Time and Date 2016
Latest time for acceptance of and payment for the Open Offer Shares, and application for excess Open Offer Shares	4:00 p.m. on Wednesday, 8 June
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Tuesday, 14 June
Announcement of results of the Open Offer to be published on the Stock Exchange website.....	Friday, 17 June
Despatch of certificates for the Open Offer Shares and/or refund of cheques in respect of unsuccessful excess application (if any) and if the Open Offer is terminated.....	Monday, 20 June
First day of dealings in the Open Offer Shares	9:00 a.m. on Tuesday, 21 June
Designated broker starts to stand in the market to provide matching service for odd lots of Shares	9:00 am. on Tuesday, 21 June
Designated broker ceases to stand in the market to provide matching service for odd lots of Shares	4:30 p.m. on Tuesday, 12 July

All times and dates stated in this Prospectus refer to Hong Kong times and dates. Any changes to the anticipated timetable for the Open Offer, if required, will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER SHARES

If there is a Storm Warning in force in Hong Kong on Wednesday, 8 June 2016, being the date of the Latest Time for Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have a Storm Warning in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this Prospectus for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriters. Any changes to the anticipated timetable for the Open Offer will be announced as and when appropriate.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions granting the Underwriters, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriters may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the following meaning:

“Announcement”	the announcement of the Company dated 3 May 2016 relating to the Open Offer
“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
“Articles”	the articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hosted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which the Stock Exchange is open for transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Everbright” or “Investment Manager”	China Everbright Securities (HK) Limited, a company incorporated in Hong Kong with limited liability and a registered institution licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the investment manager of the Company
“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)
“Completion”	completion of the Open Offer
“Director(s)”	director(s) of the Company

DEFINITIONS

“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 (if any) 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 Latest Practicable Date
“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 PRC
“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 the Announcement

DEFINITIONS

“Latest Lodging Date”	4:30 p.m. on Tuesday, 17 May 2016, being the latest time for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 8 June 2016 or such later time and/or date 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 and/or date to be agreed between the Company and the Underwriters, being the latest time for the Underwriters to terminate the Underwriting Agreement
“Latest Practicable Date”	20 May 2016, being the latest practicable date for ascertaining certain information for inclusion in this Prospectus
“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
“PRC”	the People’s Republic of China but excluding, for the purposes of the Open Offer, Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	this prospectus issued by the Company in relation to the Open Offer

DEFINITIONS

“Prospectus Documents”	the Prospectus, the Application Form and EAF
“Prospectus Posting Date”	25 May 2016, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	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
“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
“Share Options Scheme”	the share options scheme adopted by the Company on 22 May 2014
“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
“Underwriters”	collectively Harvest Rise and Emperor Securities

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 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.



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)

Executive Directors

Mr. Xiang Xin (*Chairman*)
Mr. Chan Cheong Yee
Mr. Li Zhou

Registered office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Non-executive Directors

Mr. Sun Kuan Chi
Mr. Jook Chun Kui Raymond

Principal office in Hong Kong
26/F

No. 9 Des Voeux Road West Road
Sheung Wan
Hong Kong

Independent Non-executive Directors

Mr. David Wang Xin
Mr. Zang Hong Liang
Mr. Lee Wing Hang

Alternate Director

Ms. Kung Ching (to Mr. Xiang Xin)

To the Qualifying Shareholders

25 May 2016

Dear Sir or Madam,

**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**

On 3 May 2016, the Company announced that it proposes to raise approximately HK\$213.4 million, before expenses, by issuing 4,267,192,876 Open Offer Shares 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.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among other things, further details of (i) the Open Offer including the procedures for application and payment for the Open Offer Shares; (ii) the financial information of the Company; and (iii) the general information of the Company.

THE OPEN OFFER

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 Record Date:	8,534,385,753 Shares
Number of Open Offer Shares:	4,267,192,876 Open Offer Shares
Aggregate nominal value of the Open Offer Shares to be issued:	HK\$42,671,928.76
Number of Shares in issue upon Completion:	12,801,578,629 Shares
Amount to be raised before expenses:	HK\$213.4 million

As at the Latest Practicable Date, save for the outstanding Share Options entitling Share Options Holders to subscribe for an aggregate of 536,000,000 new Shares (subject to adjustment), 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.

4,267,192,876 Open Offer Shares to be allotted and issued under the Open Offer represent (i) approximately 50.0% of the issued share capital of the Company as at the Latest Practicable Date; 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.

As at the Latest Practicable Date, 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.

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;

LETTER FROM THE BOARD

- (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;
- (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 Latest Practicable Date); and
- (v) a discount of 0.00% to the closing price of HK\$0.05 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 closing price of the Shares on the Last Trading Day 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 expected to be approximately HK\$0.048 per Open Offer Share.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded 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 and investors should consult their professional advisers if they are in any doubt as to their status and actions to be taken.

LETTER FROM THE BOARD

In order to be registered as members of the Company for the entitlement of the Open Offer, Shareholders must have lodged 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. To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will only send the Prospectus, but not the application forms, to the Excluded Shareholders for their information.

As at the Record Date, there were 7 Overseas Shareholders whose addresses as shown on the register of members of the Company were in the PRC, holding in aggregate of 13,800,000 Shares. The Board has made enquiries with legal advisers in such jurisdiction regarding the feasibility of extending the Open Offer to the Overseas Shareholders. Based on the legal opinion provided by the legal advisers, there are no restrictions to extend the Open Offer to such Overseas Shareholders and there are no Excluded Shareholders for the Open Offer. Accordingly, the Open Offer will be extended to the Overseas Shareholders in the PRC and the Company will send this Prospectus to the Overseas Shareholders.

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.

LETTER FROM THE BOARD

Share certificates and refund cheques for the Open Offer

Subject to the fulfillment or waiver (as the case may be) of the conditions of the Open Offer, share certificates for all fully-paid Open Offer Shares (including the excess Open Offer Shares) are expected to be posted by ordinary post to the Qualifying Shareholders who have validly accepted and applied for and paid for the Open Offer Shares at their own risk on or before Monday, 20 June 2016. 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.

Each successful applicant will receive one share certificate for all the fully-paid Open Offer Shares allotted and issued to him/her/it.

Application for listing

The Company has applied 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 in their fully-paid form to be admitted into CCASS.

Dealings in the Open Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fee, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

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.

LETTER FROM THE BOARD

Application may be made by Qualifying Shareholders by completing the EAF and lodging the same with a separate remittance for the excess Open Offer Shares being applied for. The Directors will allocate the excess Open Offer Shares at their discretion on a fair and equitable basis.

The excess Open Offer Shares will be allocated to those Qualifying Shareholders who have applied for excess Open Offer Shares on a pro-rata basis by using the number of the excess Open Offer Shares applied for by each Qualifying Shareholder divided by total remaining excess Open Offer Shares available. The Directors consider allocating the excess Open Offer Shares in proportion to the number of excess Open Offer Shares applied for by the Qualifying Shareholders is an approach commonly adopted by companies having similar corporate actions which allows all of the Shareholders fair chance to receive excess Open Offer Shares.

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. In deciding whether to give preference to topping-up odd lots to whole lots, the Company has considered whether such arrangement, if any, is fair to all Qualifying Shareholders.

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 above mechanism, such application(s) for excess Open Offer Shares may be rejected at the sole discretion of the Board.

There is no restriction to the Underwriters to apply for any excess Open Offer Shares by reason of its capacity as the underwriters for the Open Offer under the Underwriting Agreement.

Any remaining Open Offer Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriters.

Shareholders with their Shares held by a nominee (or which are held in CCASS) 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.

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.

LETTER FROM THE BOARD

Odd lot matching

In order to alleviate the difficulties arising from the existence of odd lots of Shares arising from the Open Offer, the Company has appointed China Everbright Securities (HK) Limited to provide matching services for the sale and purchase of odd lots of Shares on a best effort basis during the period between 9:00 a.m. on Tuesday, 21 June 2016 to 4:30 p.m. on Tuesday, 12 July 2016 (both days inclusive). Shareholders who wish to take advantage of this facility should contact Mr. Cheng Kam Tak of China Everbright Securities (HK) Limited at 24/F, Lee Garden I, 33 Hysan Avenue, Causeway Bay, Hong Kong at telephone number (852) 2106 8378 during office hours of such period. Shareholders should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders who are in doubt about this facility are recommended to consult their professional adviser.

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

LETTER FROM THE BOARD

(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.

As at the Latest Practicable Date, condition (v) above has been fulfilled.

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. 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

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Save for the Underwriters, the Company has approached an independent entity and a financial institution for underwriting of the Open Offer. Having considered (i) the terms and conditions offered by the potential underwriters; (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 consider the Underwriters are the most suitable candidates and 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

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- (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.

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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.

PROCEDURES FOR APPLICATION AND PAYMENT FOR THE OPEN OFFER SHARES

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Open Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Qualifying Shareholders should note that they may subscribe for any number of Open Offer Shares only up to the number set out in the Application Form.

If Qualifying Shareholders wish to exercise their rights to subscribe for all the Open Offer Shares offered to them as specified in the Application Form or to exercise their rights to subscribe for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Open Offer Shares they have subscribed for with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Wednesday, 8 June 2016. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or bankers' cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**China Innovation Investment Limited — Open Offer Account**" and crossed "**Account Payee Only**".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Wednesday, 8 June 2016, the relevant assured allotment of Open Offer Shares and all rights and entitlements in relation thereto shall be deemed to have been declined and will be cancelled.

All cheques or cashier's orders accompanying completed Application Form will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an Application Form with a

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cheque and/or cashier's order, will constitute a warranty by the relevant Qualifying Shareholder that the cheque and/or cashier's order will be honoured on first presentation. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

No receipt will be issued in respect of any application monies received.

The Application Form contains full information regarding the procedures to be followed if you wish to accept the whole or part of your assured entitlement.

PROCEDURES FOR APPLICATION AND PAYMENT FOR EXCESS OPEN OFFER SHARES

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Company will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. If you as a Qualifying Shareholder wish to apply for any Open Offer Shares in excess of your assured allotment indicated on the Application Form enclosed with this Prospectus, you must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Open Offer Shares applied for, with the Registrar by not later than 4:00 p.m. on Wednesday, 8 June 2016. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**China Innovation Investment Limited — Excess Application Account**" and crossed "**Account Payee Only**".

All cheques or banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or banker's cashier order in payment for the excess Open Offer Shares applied for will constitute a warranty by the relevant Qualifying shareholder that the cheque or banker's cashier order will be honoured on first presentation. If any cheque or banker's cashier order is dishonoured on first presentation, the application for excess Open Offer Shares is liable to be rejected.

No receipt will be issued in respect of any application monies received.

The EAF contains full information regarding the procedures to be followed if you wish to apply for any Open Offer Shares in excess of your assured allotment.

WARNING OF THE RISK OF DEALING IN THE SHARES

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

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Shareholders should note that the Shares have been traded on an ex-entitlement basis commencing from Monday, 16 May 2016 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 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 should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon completion of the Open Offer.

Shareholders	As at the Latest Practicable Date		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 holds 2,362,720,000 Shares through 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.

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. As at the Latest Practicable Date, the Company does not have any subsidiaries.

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 segment of low-carbon vehicles, low-carbon property, low-carbon digital, low-carbon living and smart city unlisted projects.

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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.

As at the Latest Practicable Date, save for the Open Offer, the Company has no intention, or has not entered or proposed to enter into, any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to conduct any other fund raising activities.

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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 Latest Practicable Date:

Date of announcement	Capital raising activity	Net proceeds raised <i>(approximate)</i>	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	<p>Approximately HK\$78 million has been used to invest in listed companies in Hong Kong; (ii) approximately HK\$11 million has been used in foreign currency fixed deposit; and (iii) approximately HK\$10 million has been used as working capital</p> <p>The remaining balance of HK\$84 million is currently deposited in bank and will be used to invest in unlisted and listed companies</p>

ADJUSTMENTS TO THE SHARE OPTIONS

In accordance with the Share Options Scheme, the Open Offer may lead to adjustment to the number of Shares to be issued on the exercise of the Share Options and/or the exercise price payable by each Share Options Holder in respect of each Share to be issued on the exercise of the Share Options. Such adjustment will be certified either by the Company's auditors, a reporting accountant or an independent financial adviser. Further announcement in respect of the said adjustment will be made as and when appropriate.

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LISTING RULES IMPLICATIONS

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 the 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.

GENERAL

Your attention is drawn to the information contained in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
China Innovation Investment Limited
Xiang Xin
Chairman and Chief Executive Officer

1. FINANCIAL SUMMARY

The audited financial information of the Company (i) for the year ended 31 December 2015 is disclosed in pages 25 to 59 of the annual report of the Company published on 5 April 2016; (ii) for the year ended 31 December 2014 is disclosed in pages 22 to 59 of the annual report of the Company published on 15 April 2015; and (iii) for the year ended 31 December 2013 is disclosed in pages 23 to 59 of the annual report of the Company published on 16 April 2014, all of which have been published on the Stock Exchange's website (www.hkexnews.hk) and the website of the Company (<http://www.1217.com.hk>).

Please refer to the hyperlinks as stated below:

Annual Report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0416/LTN20140416017.pdf>

Annual Report 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0415/LTN20150415035.pdf>

Annual Report 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0405/LTN201604051179.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Company did not have any outstanding mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE COMPANY

The Directors, after due and careful enquiry, are of the opinion that taking into account the internal resources available to the Company, the effect of the Open Offer and the presently available credit facilities, the Company will have sufficient working capital for its present requirements for at least the next 12 months from the date of this Prospectus in the absence of unforeseen circumstance.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

The Company is principally engaged in investment in listed and unlisted companies.

The Company focus on investing listed companies in Hong Kong and United States on short terms. For the year ended 31 December 2015, the gross sales proceeds of listed securities is HK\$284,362,000 (2014: HK\$70,884,000) and making gains on listed securities investment is HK\$13,394,000 (2014: gains HK\$1,925,000).

The loss for the year ended 31 December 2015 was approximately HK\$138,000 while the loss for the year ended 31 December 2014 was approximately HK\$15,913,000.

The Company is one of the few investment companies in Hong Kong focusing investment in dual usage of military and civil sectors. The Company invests in listed and non-listed civil and military joint ventures with high quality to strive for medium-term gains from capital appreciation in the course of securitization of corporate assets invested, and apply the same as the Company's key operation strategy and income source.

Leveraging on the Company's experience and well-connected network in the PRC market over years, the Company recently invested in military and civil dual-used charge storage batteries, new models of lighting products, eco-equipment materials and energy-saving media terminals respectively through its investment. With energy conservation as the Company's development goal, the Company's investments have achieved breakthroughs in realising the four new industries of "New Energy", "New Light", "New Materials" and "New Media", military and civil dual-application in real projects.

As at 31 December 2015, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future Company Limited, Blue Angel (H.K.) Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$77,925,000, HK\$78,349,000, HK\$78,700,000, nil and HK\$35,790,000 respectively.

The Company will continue to explore the investment opportunities to achieve medium-term capital appreciation, in particular in low-carbon vehicles, low-carbon property, low-carbon digital, low-carbon living and smart city unlisted projects.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS
OF THE COMPANY**A. Introduction**

The following is the unaudited pro forma statement of adjusted net tangible assets of the Company as at 31 December 2015 (the “Unaudited Pro Forma Financial Information”) which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Open Offer on the unaudited net tangible assets of the Company attributable to owners of the Company as if the Open Offer had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information is prepared based on the audited net tangible assets of the Company attributable to owners of the Company as at 31 December 2015, as extracted from the published annual report of the Company for the year ended 31 December 2015, and is adjusted for the effect of the Open Offer.

The Unaudited Pro Forma Financial Information of the Company has been prepared for illustrative purpose only, based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Open Offer actually been completed as at 31 December 2015 or at any future date.

B. Unaudited Pro Forma Financial Information

	Audited net tangible assets of the Company attributable to owners of the Company as at 31 December 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Open Offer HK\$'000 (Note 2)	Adjusted unaudited pro forma net tangible assets of the Company attributable to the Owners of the Company upon completion of the Open Offer HK\$'000
Based on 4,267,192,876 Open Offer Shares to be issued at subscription price of HK\$0.05 per Open Offer Share	<u>483,981</u>	<u>205,529</u>	<u>689,510</u>

HK\$

Audited net tangible assets per Share attributable to the owners of the Company as at 31 December 2015 prior to the completion of the Open Offer (<i>Note 3</i>)	<u>0.06</u>
Adjusted unaudited pro forma net tangible assets per Share attributable to the owners of the Company as at 31 December 2015 after completion of the Open Offer (<i>Note 4</i>)	<u>0.05</u>

Notes to the unaudited pro forma statement of adjusted net tangible assets of the Company

1. The audited net assets of the Company attributable to owners of the Company as at 31 December 2015 is extracted from the published audited financial statements of the Company for the year ended 31 December 2015.
2. The estimated net proceeds from the Open Offer of approximately HK\$205,529,000 are based on 4,267,192,876 Offer Shares to be issued and on the basis of 1 Open Offer Share for every 2 existing Shares held at the Record Date at a subscription price of HK\$0.05 per Open Offer Share assuming all Open Offer Shares would be accepted, after deduction of the estimated expenses attributable to the Open Offer of approximately HK\$7,831,000.
3. The calculation of the audited net tangible assets of the Company attributable to owners of the Company as at 31 December 2015 before Open Offer per Share is determined based on the audited net tangible assets of the Company attributable to owners of the Company as at 31 December 2015 of approximately HK\$483,981,000, divided by the number of Shares in issue as at 31 December 2015, i.e. 8,514,385,753 Shares.
4. The calculation of the adjusted unaudited pro forma net tangible assets per Share after completion of the Open Offer is based on the adjusted unaudited pro forma net tangible assets of the Company attributable to the owners of the Company of approximately HK\$689,510,000, divided by 12,781,578,629 Shares which represents the sum of 8,514,385,753 Shares in issue as at 31 December 2015 and 4,267,192,876 Open Offer Shares.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE COMPANY

The Board of Directors
China Innovation Investment Limited
26/F, No. 9 Des Voeux Road West
Sheung Wan, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Innovation Investment Limited (the “Company”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 December 2015 (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the prospectus dated 25 May 2016 issued by the Company (the “Prospectus”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the open offer on the basis of an allotment of one offer share for every two existing shares held on the record date at the subscription price of HK\$0.05 per offer share (the “Open Offer”) on the Company’s financial position as at 31 December 2015 as if the proposed Open Offer had taken place as at 31 December 2015. As part of this process, information about the Company’s net tangible assets has been extracted by the directors from the financial statements as included in the annual report for the year ended 31 December 2015, on which an audit report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Open Offer, the application of those net proceeds, or whether such use will actually take place as described under "Reason for the Open Offer and the use of proceeds" set out on pages 21 and 22 of the Prospectus.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practising Certificate Number P06353
Hong Kong
25 May 2016

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors and the directors of China Everbright collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of China Everbright, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.01 each (i) as at the Latest Practicable Date; and (ii) immediately following completion of the Open Offer will be as follows:

(i) As at the Latest Practicable Date

<i>Authorised share capital:</i>		<i>HK\$</i>
15,000,000,000	Shares of HK\$0.01 each	150,000,000.00
<i>Issued and fully paid up:</i>		
8,534,385,753	Issued Shares as at the Latest Practicable Date	85,343,857.53

(ii) Upon completion of the Open Offer

<i>Authorised share capital:</i>		<i>HK\$</i>
15,000,000,000	Shares of HK\$0.01 each	150,000,000.00
<i>Issued and fully paid up:</i>		
8,534,385,753	Issued Shares as at the Latest Practicable Date	85,343,857.53
<u>4,267,192,876</u>	Open Offer Shares to be issued	<u>42,671,928.76</u>
<u>12,801,578,629</u>		<u>128,015,786.29</u>

Save for outstanding Share Options entitling Share Options Holders to subscribe for an aggregate of 536,000,000 new Shares at the exercise price of HK\$0.05 per Share, 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 as at the Latest Practicable Date.

All issued Shares rank *pari passu* in all respects, including in particular as to dividend, voting rights and return on capital. The Open Offer Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares.

Save for the Shares are listed and traded on the Main Board of the Stock Exchange, none of the securities of the Company is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, there was no capital of the Company which is under option, or agreed conditionally or unconditionally to be put under option.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interest and short positions of the Directors, chief executives and their associates had in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out as follows:

Name of Director	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Approximate % of interest
Ms. Kung (<i>Note 1</i>)	Interest held through controlled corporation and interest of spouse	3,839,193,379	60,000,000	30.45%
Mr. Xiang (<i>Note 2</i>)	Beneficial owner and interest of spouse	3,839,193,379	60,000,000	30.45%
Mr. Li Zhou (<i>Note 3</i>)	Beneficial owner	—	20,000,000	0.23%
Mr. Jook Chun Kui Raymond (<i>Note 3</i>)	Beneficial owner	—	30,000,000	0.35%
Mr. Sun Kuan Chi	Beneficial owner	—	30,000,000	0.35%

Name of Director	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Approximate % of interest
Mr. Lee Wing Hang (Note 3)	Beneficial owner	—	30,000,000	0.35%
Mr. Wang Xin David (Note 3)	Beneficial owner	—	30,000,000	0.35%

Notes:

1. Ms. Kung, an alternate Director of Mr. Xiang, is interested in 23,335,379 Shares and 3,815,858,000 Underwritten Shares held by the Harvest Rise. She is also deemed to be interested in the 60,000,000 Share Option convertible into 60,000,000 new Shares held by Mr. Xiang as being his spouse. The percentage of shareholdings in the Company is calculated based on the enlarged issued Shares immediately after completion of the Open Offer.
2. Mr. Xiang is deemed to be interested in the 23,335,379 Shares and 3,815,858,000 Underwritten Shares held by Ms. Kung through Harvest Rise as being her spouse. Mr. Xiang is also interested in the 60,000,000 Share Option convertible into 60,000,000 new Shares. The percentage of shareholdings in the Company is calculated based on the enlarged issued Shares immediately after completion of the Open Offer.
3. Mr. Li Zhou (executive Director) is interested in 20,000,000 Share Options convertible into 20,000,000 new Shares, each of Mr. Jook Chun Kui Raymond (non-executive Director), Mr. Sun Kuan Chi (non-executive Director), Mr. Lee Wing Hang (independent non-executive Director) and Mr. Wang Xin David (independent non-executive Director) is interested in 30,000,000 Share Options convertible into 30,000,000 new Shares. The percentage of shareholdings in the Company is calculated based on the existing issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and their associates had any interests and short positions in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO, which were required, (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

4. INTEREST OF SUBSTANTIAL SHAREHOLDERS

According to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, as at the Latest Practicable Date, the following person/entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate % of interest
Guotai Investment (<i>Note 1</i>)	Beneficial owner	2,362,720,000 (L)	27.68%
Harvest Rise (<i>Note 2</i>)	Beneficial owner	3,839,193,379 (L)	29.99%

L = Long position

Notes:

- Guotai Investment holds 2,362,720,000 Shares through 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). The percentage of shareholdings in the Company is calculated based on the existing issued Shares as at the Latest Practicable Date.
- Harvest Rise is wholly and beneficially owned by Ms. Kung. The percentage of shareholdings in the Company is calculated based on the enlarged issued Shares immediately after completion of the Open Offer.

Save as disclosed in this Prospectus, as at the Latest Practicable Date and so far as is known to the Directors or chief executive (if any) of the Company, no other person had, or was deemed or taken to have, any interests or short positions in Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company which does not expire or is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company) been acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company; and
- (ii) none of the Directors was materially interested in any contracts or arrangements entered into by the Company subsisting as at the Latest Practicable Date which is significant in relation to the business of the Company.

7. LITIGATION

On 12 February 2016, the Company has issued a recourse letter to China Culture Media International Holdings Limited (“China Culture”) requesting the earnest money of HK\$15,000,000 should be totally refunded to the Company within three working days after the termination date stipulated in the memorandum of understanding. On 5 April 2016, the Company applied to the British Virgin Islands Court for the liquidation of China Culture. On 9 May 2016, a liquidation order was filed by the British Virgin Islands Court against China Culture. As at the Latest Practicable Date, the earnest money of HK\$15,000,000 has not been refunded by China Culture to the Company.

As at the Latest Practicable Date, save as disclosed above, the Company was not engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against the Company.

8. MATERIAL CONTRACTS

The Company had entered into the following contracts within two years immediately preceding the date of this Prospectus which are contracts not being in the ordinary course of business of the Company or may be material:

- (a) the placing agreement dated 4 June 2015 entered into between the Company and Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place through Kingston Securities Limited, on a best effort basis, up to 1,395,000,000 new Shares to independent placees at the placing price of HK\$0.134 per new Share;
- (b) The memorandum of understanding dated 8 November 2015 entered into between the Company and China Culture in relation to four potential acquisitions/investments of the partly equity interest in Supreme Tycoon Limited and other three companies. An earnest money of HK\$15,000,000 was paid by the Company to China Culture; and
- (c) the Underwriting Agreement.

9. EXPERT AND CONSENT

The following is the qualification of the expert contained in this Prospectus:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified public accountants

ZHONGHUI ANDA CPA Limited has given and have not withdrawn its written consent to the issue of this Prospectus with the inclusion of the text of their letter and/or report and/or the reference to its name in the form and context in which it appears herein.

As at the Latest Practicable Date, ZHONGHUI ANDA CPA Limited did not had any shareholding in the Company and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, ZHONGHUI ANDA CPA Limited did not had any direct or indirect interest in any assets which have been, since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company.

10. EXPENSES

The expenses in connection with the Open Offer, including underwriting commission and other charges and expenses are estimated to be approximately HK\$7.83 million and will be payable by the Company.

11. CORPORATE INFORMATION

Company's registered office	Cricket Square Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	26/F No. 9 Des Voeux Road West Road Sheung Wan Hong Kong
Authorised representatives	Mr. Xiang Xin 26/F No. 9 Des Voeux Road West Road Sheung Wan Hong Kong
	Mr. Fok Chi Wing 26/F No. 9 Des Voeux Road West Road Sheung Wan Hong Kong

Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central, Hong Kong UBS AG 52/F. Two International Finance Centre 8 Finance Street Central, Hong Kong Bank of Singapore Limited 35/F. One International Finance Centre 1 Harbour View Street Central, Hong Kong
Investment Manager	China Everbright Securities (HK) Limited 24/F Lee Garden I 33 Hysan Avenue Causeway Bay Hong Kong
Auditor and reporting accountants	ZHONGHUI ANDA CPA Limited Unit 701-3 & 8 Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Principal share registrar and transfer office in Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor Royal Bank House, 24 Shedden Road George Town, Grand Cayman, KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong

12. PARTIES INVOLVED IN THE OPEN OFFER

The Company	China Innovation Investment Limited 26/F No. 9 Des Voeux Road West Road Sheung Wan Hong Kong
Underwriters	(i) Harvest Rise Investments Limited 26/F No. 9 Des Voeux Road West Road Sheung Wan Hong Kong (ii) Emperor Securities Limited 23–24/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Legal advisor to the Company	Michael Li & Co 19/F. Prosperity Tower 39 Queen’s Road Central Hong Kong
Reporting accountant	ZHONGHUI ANDA CPA Limited Unit 701–3 & 8 Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King’s Road North Point, Hong Kong

13. DIRECTORS AND SENIOR MANAGEMENT

(i) Executive Directors

The Board comprises three executive Directors, namely Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Li Zhou.

Mr. Xiang Xin (“**Mr. Xiang**”), aged 52, was chairman of the Board, the chief executive officer and executive director of the Company. Mr. Xiang has worked in a number of large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor’s degree in science and a master’s degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently a chairman of the board, chief executive officer and an executive director of China Trends Holdings Limited (stock code: 8171), a company listed on the growth enterprise market of the Stock Exchange. Mr. Xiang joined the Company on 14 January 2003.

Mr. Chan Cheong Yee (“**Mr. Chan**”), aged 52, an executive director of the Company and is a member of the executive committee of the Company. Mr. Chan holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for over 20 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is the independent non-executive director of Agritrade Resources Limited and executive director of China Investment and Finance Group Limited, executive director of China Investment Development Limited, executive director of Capital VC Limited, executive director of China New Economy Fund Limited, which are listed on the main board of the Stock Exchange respectively, and also the executive director of China Trends Holdings Limited and executive director of Bingo Group Holdings Limited, which are listed on the growth enterprise market of the Stock Exchange respectively. Mr. Chan is also an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange. Mr. Chan joined the Company in June 2003.

Mr. Li Zhou (“**Mr. Li**”), aged 37, an executive director of the Company and is a member of the executive committee of the Company. Mr. Li holds a master degree of business administration from the University of Hong Kong. Prior to his joining of the Company, Mr. Li has worked in several listed companies and investment companies in the People’s Republic of China. Mr. Li has extensive experience in the areas of telecommunications, information technology, project management, financing, and mergers and acquisitions. Mr. Li joined the Company in June 2011.

(ii) Non-executive Directors

The Board comprises two non-executive Directors, namely Mr. Sun Kuan Chi and Mr. Jook Chun Kui Raymond.

Mr. Sun Kuan Chi (“**Mr. Sun**”), aged 67, was the Ph.D. degree holder from Georgetown University and Master degree holder from The Johns Hopkins University in Computer Science. Mr. Sun is currently the CEO of Hughes Network Technology (Beijing) Limited and has extensive experience in satellite mobile internet. Mr. Sun joined the Company on 10 December 2013.

Mr. Jook Chun Kui Raymond (“**Mr. Jook**”), aged 49, a non-executive Director of the Company. Mr. Jook is also the managing director of China Avant Capital Limited and Avant Capital Management (HK) Limited. Mr. Jook is the licensed responsible officer of the above company under Section 120 of the SFO, authorised to carry out Advising on Securities and Asset Management defined as Type 4 and Type 9. Mr. Jook has worked as hedge fund manager in other investment management company and has fourteen years of research analyst experience in various investment banks. Mr. Jook holds a BA degree in statistics and MS degree in actuarial science from the University of Wisconsin-Madison, an MBA degree from the University of British Columbia and CFA qualification. Mr. Jook joined the Company in March 2012.

(iii) Independent non-executive Directors

The Board comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

Mr. David Wang Xin (“**Mr. Wang**”), aged 53, an independent non-executive Director of the Company and is a chairman of the audit committee and the remuneration committee of the Company. Mr. Wang is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor’s degree in Mechanical Engineering in 1982 and a master’s degree in Business Administration in 1985. Mr. Wang has joined the Company in October 2002.

Mr. Zang Hong Liang (“**Mr. Zang**”), aged 48, an independent non-executive Director of the Company and is a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Zang is at present a partner of Global Law Office, a large law firm in the PRC. Mr. Zang graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. Mr. Zang holds a bachelor degree in International Economic Law and a master degree in Commercial Law. Mr. Zang’s area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping. Mr. Zang joined the Company in September 2004.

Mr. Lee Wing Hang (“**Mr. Lee**”), aged 47, an independent non-executive Director of the Company and a member of the audit committee and the remuneration committee of the Company. Mr. Lee is the partner of L & L PARTNERS Certified Public Accountants (Practising). Mr. Lee holds a bachelor degree in accountancy from Australia. Mr. Lee has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lee joined the Company in December 2006.

(iv) Alternative Director

Ms. Kung Ching (“**Ms. Kung**”), aged 46, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung worked for large organisations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Trends Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong. Ms. Kung joined the Company on 8 October 2012.

The addresses of the Directors are as follows:

Name	Address
Mr. Xiang Xin	Room 4607, Convention Plaza Apartments 1 Harbour Road, Wanchai, Hong Kong
Mr. Chan Cheong Yee	Suite F, 29th Floor Tower 10, South Horizons Apleichau, Hong Kong
Mr. Li Zhou	17G, Tower 10, Ocean Shores, Tiu Keng Leng Hong Kong
Mr. Sun Kuan Chi	No. 16, Ally 2, Lane 89, Minxiang Street, 17 Lin, Minxiang Li, Zhonghe District, New Taipei City, 23543, Taipei
Mr. Jook Chun Kui Raymond	Unit B, 20/F, Central 88, 88–89 Des Voeux Road Central, Central, Hong Kong
Mr. David Wang Xin	141 Chempaka Kuning Link, Singapore 486338
Mr. Zang Hong Liang	4–604, A 6 Building, Tuanjiehu Beiertiao, Chaoyang District, Beijing
Mr. Lee Wing Hang	Room E, 7/F, Tower 1, The Wings, Tseung Kwai O, Hong Kong
Ms. Kung Ching	Room 4607, Convention Plaza Apartments 1 Harbour Road, Wanchai, Hong Kong

Save as disclosed hereinabove and as at the Latest Practicable Date, none of the Directors (i) had any interest or short position in the Shares within the meaning of Part XV of the SFO; (ii) had any relationship with any other Directors, senior management or substantial or controlling Shareholders of the Company; (iii) held any other position with the Company or its subsidiaries; (iv) held any other directorships in other public companies whose securities are listed on any securities market in Hong Kong or overseas in the last three years; and (v) was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “Expert and Consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, the Laws of Hong Kong).

15. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, the Laws of Hong Kong), so far as applicable.

16. MISCELLANEOUS

- (i) The secretary of the Company is Mr. Fok Chi Wing, who graduated from the Hong Kong University of Science and Technology with bachelor’s degree in engineering. He is a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The English text of this Prospectus, the Application Form and EAF shall prevail over their respective Chinese texts in case of inconsistency.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (<http://www.1217.com.hk>); and (ii) during normal business hours at the head office and principal place of business of the Company in Hong Kong at 26/F, No. 9 Des Voeux Road West Road, Sheung Wan, Hong Kong from the date of this Prospectus up to and including the Latest Time for Acceptance:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2014 and 2015;

- (c) the accountants' report on the unaudited pro forma financial information of the Company, the text of which is set out in Appendix II to this Prospectus;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (e) the written consent as referred to in the section headed "Expert and Consent" in this appendix; and
- (f) the Prospectus Documents.

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of Listing Rules in connection with the listing document of an investment company.

INVESTMENT MANAGEMENT INFORMATION

Investment Manager	China Everbright Securities (HK) Limited
Directors of the Investment Manager	Mr. Chan Cheong Yee 24/F Lee Garden I 33 Hysan Avenue Causeway Bay Hong Kong Mr. Cheung Pang To 24/F Lee Garden I 33 Hysan Avenue Causeway Bay Hong Kong Mr. So Hin Pong 24/F Lee Garden I 33 Hysan Avenue Causeway Bay Hong Kong

The Investment Manager

China Everbright is a company incorporated in Hong Kong on 4 January 1991 with limited liability and is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

The following are the directors of China Everbright:

Mr. Chan Cheong Yee (“**Mr. Chan**”), aged 52, an executive director of the Company and is a member of the executive committee of the Company. Mr. Chan holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for over 20 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is the independent non-executive director of Agritrade Resources Limited and executive director of China Investment and Finance Group Limited,

executive director of China Investment Development Limited, executive director of Capital VC Limited, executive director of China New Economy Fund Limited, which are listed on the main board respectively, and also the executive director of China Trends Holdings Limited and executive director of Bingo Group Holdings Limited, of the Stock Exchange listed on the growth enterprise market of the Stock Exchange respectively. Mr. Chan is also an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange. Mr. Chan joined the Company in June 2003.

Mr. Cheung Pang To (“**Mr. Cheung**”) is the managing director and one of the responsible officers of China Everbright. Mr. Cheung is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO accredited to China Everbright. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited. Mr. Cheung has over twenty years of experience in the finance and investment industry. In the past, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last ten years.

Mr. So Hin Pong (“**Mr. So**”) is a director and one of the responsible officers of China Everbright. Mr. So is currently 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) regulated activities under the SFO accredited to China Everbright. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited, and Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities accredited to China Everbright Securities Asset Management Limited. Mr. So has over twenty years of experience in the finance and investment industry. In the past, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last ten years.

Duties of China Everbright

China Everbright will undertake investment duties in relation to the Company and its assets subject to the investment policies, guidelines and strategies devised by the Board from time to time. China Everbright will be responsible for analyzing investment opportunities identified by it and the Board. Subject to and in accordance with the direction of the Board and the investment policies adopted by the Company from time to time, China Everbright has the overall discretion over the assets of the Company, including acquisitions and disposals of assets, provided that China Everbright shall seek prior approval of the Board before they actually make any acquisition or disposal of the assets of the Company.

The Custodian

As at the Latest Practicable Date, the custodians of the Company are China Everbright, Interactive Brokers LLC and Kingston Securities Limited.

The Directors confirm that none of the directors of the investment company, the management company, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the investment company, or any reallocation of other types on purchases charged to the investment company.

RISKS RELATING TO THE COMPANY

The Company is an investment company and its funds will be invested in listed and unlisted securities principally in Hong Kong and the PRC. These investments are subject to market fluctuations and the risks inherent in all investments. Investors should also be aware that the Company's income and its net asset value may be adversely affected by external factors beyond the control of the Company. The income of the Company and its net asset value may go down as well as up, subject to the prevailing market conditions.

Investors should be aware of these risks when investing in the Company. Save as disclosed above, the Directors are of the view that an investment in the Company is not subject to other abnormal risks.

INVESTMENT OBJECTIVES AND POLICIES

The Company is an investment company incorporated in the Cayman Islands with the primary objective of achieving medium-term (i.e. from three to five years) capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC.

The Company has adopted the following investment policies:

- (a) the Company's primary investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC (this means that at least 70% of the Company's investments (if and when they are made) will be made in Hong Kong and the PRC). To a lesser extent, the Company may also invest in other countries should the Directors or the Investment Manager consider that such investments would provide attractive returns to the Company;
- (b) investments will normally be made in the form of equity-related securities and debt instruments in listed and unlisted companies engaged in industries including (but not limited to) information technology, telecommunications, manufacturing, service, property, infrastructure, life science and environmental sectors to maintain a balance in the Company's exposure to different industry sectors in order to minimize the impact on the Company in the event of any downturn in any particular sector;
- (c) investments will normally be made in companies that have long been established in the respective fields which they operate in and in companies which the Board believes there to be prospects of long-term growth. In particular, the Company will seek to identify businesses or entities with profit growth potentials, strong management, high level of technical expertise and research and development capabilities as well as management who are committed to long-term growth. The

Company may also invest in companies or other entities which are considered by the Board or the Investment Manager as being special or which are in recovery situations. The Board believes that the current market conditions offer various special and attractive investment opportunities;

- (d) where possible, the Board or the Investment Manager would seek to identify investments where there will be synergy between the investments and the other investee companies in which the Company has invested and where co-operation between such companies would be of mutual benefit to each other;
- (e) the Company's investments are primarily intended to be held for medium to long term capital growth as well as for income streams of interests and dividends. Nevertheless, the Directors or the Investment Manager will from time to time realise investments where they believe that realisation would be in the best interests of the Company or where the terms of such realisation are particularly favourable to the Company;
- (f) the Company may seek borrowings to finance an investment provided that such borrowings when aggregated with the existing borrowings of the Company do not exceed 50% of the latest available Net Asset Value at the time the borrowing is made and the Company may charge or pledge its assets as security for borrowings;
- (g) the Company may hedge against interest rate risks by entering into forward interest rate agreements, interest rates and bond futures contracts, interest rate swaps, and may purchase and write or sell, put or call options on interest rates and put or call options on futures on interest rates. The Company will only engage in transactions in options and futures which are traded on recognised securities or futures exchanges and for the purpose of hedging only. The Company has no intention to purchase, write or sell derivatives;
- (h) the Company may not buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals; and
- (i) before suitable investment projects are identified, the Company may seek to protect the capital value of the Company's cash assets by placing the same in bank deposits in any currency, bonds or treasury securities issued by the government of the United States or the government of Hong Kong, or their respective agencies or securities or other instruments denominated in any currency issued by various governments or international government agencies.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as far as practicable subject to market and other investment considerations, it may take some time before the funds of the Company are fully invested.

The Company's investment objectives and policies will remain in force unless otherwise decided by the Shareholders by a special resolution in a general meeting. The Board has no present intention to change the Company's investment objectives and policies.

INVESTMENT RESTRICTIONS

The Board shall ensure, and shall procure that any person to whom any powers of investing the Company's assets shall ensure, that the Company shall not either on its own, or in conjunction with any connected person, take legal or effective management control of an underlying investments and will not own or control more than 30 per cent. (or such lower percentage as may be specified in the Hong Kong Code on Takeovers and Mergers being the level for triggering a mandatory general offer) of the voting rights in any one company or body, except in relation to wholly-owned subsidiaries of the Company.

The Company shall maintain a reasonable spread of investments and the value of its holding of investments issued by any one company or body other than wholly-owned subsidiaries of the Company shall not exceed 20 per cent. of the Company's net asset value at the time such investment is made.

The Board shall ensure, and shall procure that any person to whom any powers of investing the Company's assets shall ensure, that the Company shall not buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals.

The Board shall ensure, and shall procure that any person to whom any powers of investing the Company's assets shall ensure, that the Company shall not invest more than 30 per cent. of the Company's assets outside Hong Kong and the PRC to the extent of contravening its primary object of achieving medium-term capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC.

Investment restrictions adopted by the Company for the purpose of compliance with Rule 21.04(3) and (b) of the Listing Rules must not be changed at any time when any shares are listed on the Stock Exchange and any other investment restrictions adopted by the Company which are in effect at the date of adoption of these Articles cannot be amended or supplemented for three years from 24th July, 2002, without the prior approval of an ordinary resolution.

The Board has no present intention to change any of the above-mentioned investment restrictions.

BORROWING POWER

Pursuant to the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount representing not more than 50% of the latest available net asset value at the time the borrowing is made. In the event that the borrowing would exceed 50% of the latest available net asset value, the Company must obtain prior approval of the Shareholders at a general meeting by special resolution. The Company's assets may be charged

or pledged as security for borrowing. Subject to the provisions of the Articles and the investment management agreement, the Investment Manager may from time to time borrow for the purposes of providing liquidity or taking advantage of investment opportunities for the Company.

DISTRIBUTION POLICY

Interest, dividends and other income of the Company will be used first to meet expenses. The Investment Manager will then assess whether it is reasonable to make provisions for future expenses and/or any possible diminution in value of investments, and will consider the amount of cash which should be retained by the Company for further investments. It is the Board's intention that the Company will distribute any excess balance by way of dividend to the extent permitted by law, the Articles. Dividends may be declared and paid out of profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. Subject to the prevailing laws, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but interim distributions may be made from time to time to Shareholders if they appear to the Board to be justified by the profits of the Company. Distributions could be made in any currency.

FOREIGN CURRENCY MANAGEMENT AND EXCHANGE CONTROL

The Company conducted its business transactions principally in Renminbi and Hong Kong dollars. The Directors considered that the Company had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

FEES AND EXPENSES

The Company will pay the fees of the Investment Manager, as described below. In addition, the Company will pay certain other costs and expenses incurred in its operation, including taxes (other than Hong Kong profits tax), expenses for legal, auditing and consulting services, promotional expenses, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest and brokerage cost and the cost of publishing the net assets value of the Company on a monthly basis.

Investment management fees

The Company will pay China Everbright a monthly fee of HK\$40,000. China Everbright is also entitled to a bonus of HK\$480,000 per annum if the audited profit before tax of each financial year of the Company reaches HK\$480,000.

Save for the fees mentioned hereinabove, the Investment Manager are not entitled to receive any other fees from the Company.

INVESTMENT PORTFOLIO

The following are the details of all investments of the Company as at 31 December 2015:

Notes	Name of investee companies	Effective interest held %	Cost HK\$'000	Market value/director's valuation HK\$000	Dividend received HK\$'000	Underlying earnings/(loss) HK\$'000	Net asset attributable to investment HK\$'000
<i>Unlisted equity securities</i>							
1	Topsun Creation Limited ("Topsun")	67.75% non-voting shares	77,925	77,925	—	—	111,793
2	Aesthetic Vision Limited ("Aesthetic")	85% non-voting shares	78,349	78,349	—	—	135,355
3	United Crown Future Company Limited ("United Overseas")	52.68% non-voting shares	78,700	78,700	—	—	108,583
4	Blue Angel (H.K.) Limited ("Blue Angel HK")	62.99% non-voting shares	82,800	Nil	—	(82,800)	Nil
5	Grand Far Sky Limited ("Grand Far Sky")	31.58% non-voting shares	35,790	35,790	—	—	37,259
<i>Listed equity securities</i>							
6	Modern Land (China) Co., Ltd	1.72%	49,500	60,500	—	11,000	67,613
7	CK Hutchison Holdings Ltd	0.0026%	10,676	10,460	70	(216)	11,410

Notes:

1. Topsun is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2015, Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity was in relation to energy saving batteries for new energies as its major products. The characteristics of such product are high volume, whole sealing and maintenance free. The Company holds 2,710 "B" non-voting shares in Topsun, representing 67.75% interest in the issued share capital of Topsun. No dividend was received during the period.

For the year ended 31 December 2015, Topsun recorded unaudited net loss of HK\$8,428,000 and net asset of HK\$165,008,000.

2. Aesthetic is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiaries incorporated in the PRC of which its major product is LED lighting. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. The Company holds 8,500 “B” non-voting shares in Aesthetic, representing 85% interest in the issued share capital of Aesthetic. No dividend was received during the period.

For the year ended 31 December 2015, Aesthetic recorded unaudited net loss of HK\$11,032,000 and net asset of HK\$159,241,000.

3. United Overseas is incorporated in British Virgin Island and principally engaged in investment holding. The principal asset of United Overseas was directly holds 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energysaving eco-materials for walls. The Company holds 1,621 “B” non-voting shares in United Overseas, representing 52.68% interest in the issued share capital of United Overseas. No dividend was received during the period.

For the year ended 31 December 2015, United Overseas recorded unaudited net loss of HK\$14,588,000 and net asset of HK\$206,118,000.

4. Blue Angel HK is incorporated in Hong Kong and principally engaged in investment holding. Blue Angel HK holds two wholly-owned subsidiaries and both are incorporated in the PRC, of which the principal activities is producing and assembly of energy-saving media terminals products with the use of “New Energy”, “New Light”, “New Material” technologies. As at 31 December 2015, the Company holds 48,500 “B” non-voting shares in Blue Angel HK, which represented 62.99% interest in the issued share capital of Blue Angel HK. No dividend was received during the period.

For the year ended 31 December 2015, Blue Angel HK recorded unaudited net loss of HK\$13,769,000 and net liability of HK\$71,540,000.

5. Grand Far Sky is incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of fund and funds platform. Grand Far Sky holds a 95% interest in a subsidiary incorporated in the PRC, of which the principle activity is funding platform and fund management. As at 31 December 2015, the Company holds 3,000 “B” non-voting shares in Grand Far Sky, which represented 31.58% interest in the issued share capital of Grand Far Sky. No dividend was received during the period.

For the year ended 31 December 2015, Grand Far Sky recorded unaudited net loss of HK\$9,125,000 and net asset of HK\$117,983,000.

6. Modern Land (China) Co., Ltd is a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of The Stock Exchange and is engaged in property development, property investment and REITs.
7. CK Hutchison Holdings Ltd is an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange and is engaged in ports operation, retailing, infrastructure development, energy provision and telecommunication businesses.

The Company reviews the fair value of its unlisted equity investments to determine whether there is any indication that those investment has required to make provision. Save for the investment in Blue Angel HK which had been fully impaired during the year ended 31 December 2012, as at 31 December 2015, the Company is not aware that any provision should be made for the aforesaid investments.