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China Financial Industry Investment Fund Limited

中國金融產業投資基金有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1227)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the announcement issued by the Company on 23rd March, 2005 in which the Company disclosed that the Subscriber has conditionally agreed to subscribe for and the Company agreed to issue and allot 10,000,000 Shares at HK\$0.188 per Share in cash, representing 20% of the existing issued share capital of 50,000,000 Shares and approximately 16.67% of the issued share capital of the Company as enlarged by the Subscription.

This announcement is made at the request of the Stock Exchange to provide the public with further information in respect of the Subscriber.

Having considered the further information of the Subscriber, the Board is satisfied that the Subscriber is not a Connected Person and is independent of and not related to the Company and Connected Persons save and except that the Subscriber holds 1,658,000 Shares (representing approximately 3.32% of the issued share capital of the Company) as at the date of this announcement. As such, the Board considers that the Subscription should proceed in accordance with the terms of the Subscription Agreement and the Subscription has been completed as at the date of this announcement.

On 23rd March, 2005, the Board announced in the announcement (the "Announcement") that Mr. Yim Sang (the "Subscriber") has conditionally agreed to subscribe for and the Company agreed to issue and allot 10,000,000 Shares at HK\$0.188 per Share in cash, representing 20% of the existing issued share capital of 50,000,000 Shares and approximately 16.67% of the issued share capital of the Company as enlarged by the Subscription.

It was also announced that to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber confirmed that he is not a Connected Person or is independent of and not related to the Company and Connected Persons save and except that the Subscriber holds 1,658,000 Shares (representing approximately 3.32% of the issued share capital of the Company) as at the date of the Announcement.

Through an enquiry from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11th April, 2005 and further information from the Subscriber, it came to the Directors' knowledge that the Subscriber was an executive director of COL Capital Limited (formerly known as Star Telecom International Holding Limited) ("Star Telecom") whose shares are listed on the Main Board of the Stock Exchange during the period from 1990 to 1997 whilst Mr. Tam Wai Keung, Billy ("Mr. Tam"), an executive Director of the Company, was the vice president of Hong Kong Star Internet Limited ("Star Internet"), a then subsidiary of Star Telecom, from 1995 to 1997. The Board was also informed that as at 31st December, 1997, Star Telecom was controlled as to approximately 12.47% by Mr. Wong Kam Fu ("Mr. Wong"), the existing substantial shareholder of the Company. Mr. Wong was also the co-chairman and managing director of Star Telecom as at 31st December, 1997.

Mr. Tam, in his capacity as the past vice president of Star Internet, confirmed that Star Telecom was then principally engaged in the provision of paging services whilst Star Internet was an internet service provider. As such, the business of Star Internet was distinct from that of Star Telecom and under the organisation structure of Star Telecom, the staff of Star Internet did not have much contact with those working at Star Telecom, as their offices were located at different districts in Hong Kong.

Mr. Tam also confirmed that he has never had any financial relationship with the Subscriber, nor has he had any other business relationship with the Subscriber apart from working together for the Star Telecom group of companies during the period from 1995 to 1997.

On the other hand, upon the Board's further enquiry, the Subscriber confirmed that since 15th October, 2003, he has acquired approximately 2.5% of the entire issued share capital of Credit Card DNA Security System (Holdings) Limited (Main Board Stock Code: 1051) of which Mr. Wong is an executive director and the controlling shareholder through open market. Besides, the Subscriber also confirmed that he had invested a total of HK\$200,000 in two restaurants in Shatin, New Territories, Hong Kong, of which Mr. Wong was also one of the many investors. These two restaurants had been liquidated in or about 1995.

Apart from the above relationship with Mr. Wong and save for his directorship in Star Telecom at the relevant time, the Subscriber confirmed that he has never had any financial relationship with Mr. Wong nor has he had any other business relationship with Mr. Wong. As confirmed by the Subscriber, the necessary funds for the subscription of the 10,000,000 new Shares under the Subscription were generated from his own resources.

Having considered such further information of the Subscriber as set out above and based on the written confirmations given by the Subscriber on 23rd March, 2005 and 4th May, 2005 respectively, the Board is satisfied that (a) the Subscriber is not acting in concert with Mr. Wong, Mr. Tam, First Asia International Holdings Limited ("FAIH") or its beneficial owners, (b) save and except the past relationship of the Subscriber with Mr. Tam and Mr. Wong as disclosed hereinabove, there is no relationship, financial or otherwise, arrangement, agreement or understanding, whether formal or informal, direct or indirect and no past, present and contemplated dealings (business, financial or otherwise) between the Subscriber, Mr. Wong, Mr. Tam, FAIH or its beneficial owners and (c) save and except that the Subscriber holds 1,658,000 Shares (representing approximately 3.32% of the issued share capital of the Company) as at the date of this announcement, the Subscriber is independent of and not related to the Company and the Connected Persons and (d) the Subscriber is not a Connected Person. As such, the Board considers that the Subscription should proceed in accordance with the terms of the Subscription Agreement. The Subscription has been completed as at the date of this announcement.

The Board (including Mr. Tam) clarifies that it did not have any knowledge about the past relationship among the Subscriber, Mr. Tam and Mr. Wong as at the date of Announcement. Mr. Tam, a member of the Board, confirmed that he could not recall the Subscriber's directorship in Star Telecom nor his past and remote working relationship with the Subscriber as disclosed hereinabove as at the date of Announcement. As Mr. Wong is not a member of the Board, the Board has not obtained any confirmation from him for the purpose of the Announcement.

The information about the Subscriber as contained in the Announcement is based on the written confirmation provided by the Subscriber to the Board on 23rd March, 2005. As set out hereinabove, the past relationship among the relevant parties has only come to the knowledge of the Board after enquiry from the Stock Exchange on 11th April, 2005 upon which the Board has made due enquiries and clarifications with the Subscriber, Mr. Tam and Mr. Wong.

The Company was informed by the Stock Exchange that it is looking into the matter in relation to the disclosure of the relationship among the Subscriber, Mr. Tam and Mr. Wong in the Announcement.

On 29th April, 2005, the Company applied for suspension of the trading of the Company's shares pending for the announcement of annual result for the year ended 31st December, 2004. The annual result summary was announced on 20th May, 2005 and the annual report was dispatched to shareholders on 31st May, 2005. The trading of the Company's shares will continue to be suspended pending for further announcement in respect of (a) proposals to improve the Company's financial position, (b) the disclosure of investments made after the year end date and (c) an update on the arrangement with investment manager.

As at the date of this announcement, the executive Directors are Mr. Li Sze Tang, Mr. Wu Tse Wai, Frederick and Mr. Tam whilst the independent non-executive Directors are Mr. Chow Wan Hoi, Paul, Mr. Hui Wing Sang, Wilson and Mr. Tang King Fai, Kelvin.

Unless other defined herein, the terms used in this announcement shall bear the same meanings as set out in the Announcement.

By Order of the Board
China Financial Industry Investment Fund Limited
Li Sze Tang
Director

Hong Kong, 5th August, 2005

"Please also refer to the published version of this announcement in The Standard."