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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)**

**PLACING OF NEW SHARES UNDER GENERAL MANDATE**  
**RESUMPTION OF TRADING**

Pursuant to the Placing Agreement entered into between the Company and the Placing Agent after the trading hours on 31 May 2007, the Company has agreed to place through the Placing Agent on a best efforts basis, up to 12,000,000 new Shares of HK\$0.01 each to the Placee(s) at a price of HK\$0.60 per Placing Share. The 12,000,000 Placing Shares represent approximately 16.67% of the existing issued share capital of the Company, being 72,000,000 Shares, and approximately 14.29% of the issued share capital as enlarged by the Placing.

The net proceeds from the Placing are estimated to be approximately HK\$7 million. The Company intends to use approximately HK\$5.6 million of the proceeds for investment, approximately HK\$2.8 million of which will be used to acquire listed securities in Hong Kong and approximately HK\$2.8 million of which will be used to invest in potential high return opportunities including pre-IPO issues in regions including but not limited to the People's Republic of China. The remaining balance of approximately HK\$1.4 million of the proceeds will be used as the Company's general working capital.

The Placing is conditional on the approval of the listing of, and permission to deal in, the Placing Shares being granted by the Listing Committee of the Stock Exchange. The Placing Shares will be issued under the general mandate granted to the Board of the Company at the annual general meeting of the Company held on 21 May 2007.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 1 June 2007 pending the release of this announcement. The Company has applied for resumption of trading in the Shares with effect from 9:30 a.m. on 4 June 2007.

**PLACING AGREEMENT**

Date : 31 May 2007  
Issuer : The Company  
Placing Agent : Sun Hung Kai International Limited, on a best efforts basis.

**Number of Shares to be placed**

The Placing Shares represent 16.67% of the existing issued share capital of the Company and approximately 14.29% of the issued share capital as enlarged by the issue of the Placing Shares.

**Placees**

Pursuant to the Placing Agreement, the Placing Agent will place to not less than six independent individuals, corporate and/or institutional investor(s).

## **Independence of Placees and the Placing Agent**

The Placing Agent is not a connected person (as defined under Rule 1.01 of the Listing Rules) of the Company and is independent of, and not connected with the Company and its directors, chief executives and substantial shareholders or any of their respective associates (as defined under Rule 1.01 of the Listing Rules). The Placing Agent has confirmed that it will place to not less than six Placees who and whose beneficial owners (where applicable) are not connected persons (as defined under Rule 1.01 of the Listing Rules) of the Company and are independent of, and not connected with the Company and its directors, chief executives and substantial shareholders or any of their respective associates (as defined under Rule 1.01 of the Listing Rules) up to 12,000,000 Placing Shares. None of the Placees will become substantial shareholder of the Company immediately after the Placing.

## **Condition of the Placing Agreement**

Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares. Completion of the Placing Agreement will take place on or before the fourth business day after fulfillment of the said condition. If the condition of the Placing Agreement is not fulfilled on or before 30 June 2007 (or any other later dates as may be agreed in writing between the Company and the Placing Agent), the Placing Agreement shall be terminated and shall be of no effect.

## **Placing Price**

HK\$0.60 per Placing Share, representing (i) the closing price of HK\$0.60 per Share on 31 May 2007, being the last trading day and the date of the Placing Agreement; (ii) a premium of approximately 17.19% to the average closing price of approximately HK\$0.512 for the 5 trading days immediately prior to and inclusive of the date of the Placing Agreement; and (iii) a premium of approximately 24.74% to the average closing price of approximately HK\$0.481 per Share for the 10 trading days immediately prior to and inclusive of the date of the Placing Agreement.

The Directors (including the independent non-executive Directors) consider that the terms, including the Placing Price, to be fair and reasonable and in the best interests of the Company and its shareholders as a whole.

## **Placing fee**

Subject to completion, a placing commission of 1% of the aggregate placing price on the Placing Shares and a documentation fee of HK\$100,000 will be payable to the Placing Agent.

## **Ranking of the Placing Shares**

The Placing Shares, when fully paid, will rank pari passu in all respects with the existing issued Shares.

## **General mandate**

The Placing Shares will be issued under the general mandate granted to the Board at the annual general meeting of the Company held on 21 May 2007, pursuant to which, the Company is allowed to allot and issue a maximum of 12,000,000 new Shares. Other than the Placing Shares, no Shares had been issued pursuant to the aforesaid existing general mandate.

## **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Placing Shares.

## **Use of net proceeds**

The net proceeds from the Placing are estimated to be approximately HK\$7 million. The Company intends to use approximately HK\$5.6 million of the proceeds for investment, approximately HK\$2.8 million of which will be used to acquire listed securities in Hong Kong and approximately HK\$2.8 million of which will be used to invest in potential high return opportunities including pre-IPO issues in regions including but not limited to the People's Republic of China. The remaining balance of approximately HK\$1.4 million of the proceeds will be used as the Company's general working capital. The net Placing Price of each Placing Share is approximately HK\$0.583.

## Reasons for the Placing Agreement

With an intention to raise additional funds for its business development and to broaden the shareholders' and capital base, the Board believes the Placing is an appropriate means of fund-raising for the Company. In view of the current strong sentiment in the stock market in general and the increase in interest rate, the Board also considers that the timing for a second fund-raising exercise in the same month is appropriate.

## Shareholding of the Company

The table below sets out the Company's existing shareholding structure and the shareholding structure after completion of the Placing (on the basis that no further Shares will be issued before the completion of the Placing):

	Existing		After completion of the Placing (on the basis that no further Shares will be issued before completion of the Placing)	
	No. of Shares	%	No. of Shares	%
Canossa Capital Ltd (Note 1)	21,178,000	29.41	21,178,000	25.21
Mr. Tam Wai Keung, Billy (Note 2)	8,250,000	11.46	8,250,000	9.82
Subtotal	<u>29,428,000</u>	<u>40.87</u>	<u>29,428,000</u>	<u>35.03</u>
Public Shareholders:				
The Placees	–	–	12,000,000	14.29
Other Public Shareholders	<u>42,572,000</u>	<u>59.13</u>	<u>42,572,000</u>	<u>50.68</u>
Subtotal	<u>42,572,000</u>	<u>59.13</u>	<u>54,572,000</u>	<u>64.97</u>
Total (Note 3)	<u><u>72,000,000</u></u>	<u><u>100.00</u></u>	<u><u>84,000,000</u></u>	<u><u>100.00</u></u>

### Notes:

1. Mr. Wong Danny F., an executive director and the Chairman of the Company is the sole shareholder of Canossa Capital Ltd.
2. Mr. Tam Wai Keung, Billy was an executive director and the Chairman of the Company until 21 May 2007. The resignation of Mr. Tam was disclosed in the announcement of the Company dated 22 May 2007.
3. As at the date of this announcement, there is no option or securities convertibles into shares of the Company remains outstanding.

## Fund-Raising Activities of the Company During the Past 12 Months

On 9 May 2007, the Company entered into the SHK Placing Agreement to place up to 12,000,000 new shares in the Company under the general mandate granted to the Board at the annual general meeting of the Company held on 28 June 2006. Net proceeds of approximately HK\$4.9 million were raised. The intended use of the proceeds were stated in the announcement dated 10 May 2007 of which HK\$2.5 million will be used for making investments in listed securities traded on the Hong Kong stock market and the remaining balance of HK\$2.4 million will be used as the Company's general working capital. As at the date of this announcement, the net proceeds of HK\$4.9 million were placed in the bank account.

## General

The Company is an investment company whose shares are listed on the Stock Exchange pursuant to Chapter 21 of the Listing Rules. The Company is principally engaged in investments in a diversified portfolio of listed and unlisted companies mainly in the United Kingdom, Hong Kong and the People's Republic of China.

The Board has noted the increases in the price and trading volume of the Shares before the close of trading on 31 May 2007. The Board wishes to state that the Board is not aware of any reasons for such increases. The negotiation of the Placing commenced after the close of trading on 31 May 2007 and the Placing Agreement was signed afterward. The Board wishes to confirm that save and except the Placing, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 1 June 2007 pending the release of this announcement. The Company has applied for resumption of trading in the Shares with effect from 9:30 a.m. on 4 June 2007.

#### **Terms used in this announcement**

“Board”	the board of Directors of the Company
“Company”	China Financial Industry Investment Fund Limited, a company incorporated in the Cayman Islands whose securities are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	not less than six independent individuals, corporate and/or institutional investor(s) whom the Placing Agent or its agent(s) has agreed to procure to subscribe for the Placing Shares
“Placing”	the placing of the Placing Shares on the terms and subject to the conditions of the Placing Agreement
“Placing Agent”	Sun Hung Kai International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong)
“Placing Agreement”	the placing agreement made between the Company and the Placing Agent dated 31 May 2007 in respect of the Placing
“Placing Price”	the price of the Placing Share, being HK\$0.60 each
“Placing Share(s)”	up to 12,000,000 new Shares to be placed pursuant to the Placing Agreement
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SHK Placing Agreement”	the placing of 12,000,000 new shares pursuant to the placing agreement dated 9 May 2007 entered into between the Company and Placing Agent.

By order of the Board  
**China Financial Industry Investment Fund Limited**  
**Wong Danny F.**  
*Chairman*

Hong Kong, 1 June 2007

*As at the date hereof, the executive directors of the Company are Mr. Wong Danny F., Mr. Wu Tse Wai, Frederick and Mr. Fong Chi Wah. The non-executive director of the Company is Ms. Yang XiaoFeng. The independent non-executive directors of the Company are Mr. Char Shik Ngor Stephen, Mr. Fung Kwok Leung and Mr. Liu Jin.*

“Please also refer to the published version of this announcement in The Standard”