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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)**

**(1) RIGHTS ISSUE ON THE BASIS OF TWELVE RIGHTS SHARES FOR EVERY EXISTING SHARE HELD BY QUALIFYING SHAREHOLDERS**  
**(2) INCREASE IN AUTHORISED SHARE CAPITAL**  
**AND**  
**(3) RESUMPTION OF TRADING**

**Underwriters**

**China Merchants Securities (HK) Co., Ltd. Sun Hung Kai Investment Services Limited  
Grand Vinco Capital Limited**

**Financial Advisor**

**Sun Hung Kai International Limited**

**RIGHTS ISSUE**

The Company proposes to raise approximately HK\$50.4 million, before expenses, by issuing 1,008,000,000 Rights Shares to the Qualifying Shareholders by way of Rights Issue at a price of HK\$0.05 per Rights Share on the basis of twelve Rights Shares for every existing Share held on the Record Date.

For Non-Qualifying Shareholders, the Company will make arrangements to sell the Rights Shares in their nil-paid form in the market and the proceeds of each sale, less expenses, of HK\$100 or more will be paid to Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as practicable.

As at the date of this announcement, the Company has no outstanding options, convertible securities or warrants which confers the right to subscribe for Shares.

753,864,000 Rights Shares are fully underwritten by the Underwriters. The Rights Issue is conditional upon, among others, (i) Independent Shareholders' approval of the Rights Issue voted by poll at the EGM; (ii) the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms as referred to in the paragraph headed "Conditions of the Rights Issue" below; and (iii) the Underwriters not terminating the Underwriting Agreement. **Accordingly, the Rights Issue may or may not proceed and Shareholders and the public are reminded to exercise caution when dealing in the Shares. Any buying or selling of the Shares from now up to the date on which all the conditions to which the Rights Issue is subject are fulfilled, and any buying or selling of nil-paid Rights Shares, are at investors' own risk.**

The executive Directors and the non-executive Director consider that it is in the interest of the Company and the Shareholders to enlarge the capital base and to enhance the financial position of the Company through the implementation of the Rights Issue. The independent non-executive Directors will form a view on the Rights Issue after they receive the advice from the independent financial adviser. The net proceeds of the Rights Issue are estimated to be approximately HK\$48.4 million and will be used by the Company mainly for investment purpose.

## **GENERAL**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. Any transfer of Shares (with relevant share certificates) must be lodged for registration on or before 4:00 p.m. on 16 July 2007 with the Registrar. The register of members of the Company will be closed from 17 July 2007 to 23 July 2007, both days inclusive. No transfer of Shares will be registered during this period.

Pursuant to Rule 7.19 (6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. The Company does not have any controlling Shareholders as at the date hereof. Therefore, Mr. Wong Danny F., Mr. Wu Tse Wai, Frederick and Mr. Fong Chi Wah, being the executive Directors, and Ms. Yang XiaoFeng, being the non-executive Director, and their respective associates (including Canossa Capital) will abstain from voting in favour of the resolution relating to the Rights Issue.

An independent board committee of the Company will be established to make recommendations to the Independent Shareholders in relation to the Rights Issue and an independent financial adviser will be appointed to advise such independent board committee and the Independent Shareholders in relation to the Rights Issue.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Board proposes to increase the authorized share capital of the Company from HK\$2,000,000 divided into 200,000,000 Shares, to HK\$20,000,000 divided into 2,000,000,000 Shares, by the creation of an additional 1,800,000,000 unissued Shares of HK\$0.01 each. The proposed increase in the authorized share capital of the Company is independent from the Rights Issue.

A circular containing, among others, details regarding (i) Rights Issue and increase in authorized shares capital; (ii) the recommendation of the independent board committee of the Company in relation to the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as possible.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m., on 15 June 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of the trading of the Shares with effect from 9:30 a.m. on 22 June 2007.

## **RIGHTS ISSUE**

### **Issue statistics**

Basis of Rights Issue	:	Twelve Rights Shares for every existing Share held on the Record Date
Number of Shares in issue	:	84,000,000 as at the date of this announcement
Number of Rights Shares	:	1,008,000,000 Rights Shares, representing approximately 1200% of the existing issued share capital of the Company and 92.31% of the enlarged issued share capital of the Company upon completion of the Rights Issue
Subscription price per Rights Shares	:	HK\$0.05 per Rights Shares with nominal value of HK\$0.01 each
Underwriters	:	China Merchants, SHK Investment and Grand Vinco and their respective ultimate beneficial owners, to the best of the Director's knowledge, information and belief having made all reasonable enquiry, are a third parties independent of the Company and Connected Persons of the Company

As at the date of this announcement, the Company has no outstanding options, convertible securities or warrants which confers the right to subscribe for Shares.

### **Qualifying Shareholders**

The Company will send the Prospectus, provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificate(s)) with the Share Registrar, on or before 4:00 p.m. (Hong Kong time) on 16 July 2007.

### **Closure of register of members**

The register of members of the Company will be closed from 17 July 2007 to 23 July 2007, both days inclusive for the purposes of establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

## **TERMS OF THE RIGHTS ISSUE**

### **Subscription price**

The subscription price for the Rights Shares is HK\$0.05 per Rights Share and is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price of HK\$0.05 per Rights Share was arrived at after arm's length negotiations between the Company, Canossa Capital and the Underwriters with reference to recent closing prices of the Shares on the Stock Exchange and represents:

- (i) a discount of approximately 91.94% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 14 June 2007, being the Last Trading Day;
- (ii) a discount of approximately 46.70% to the theoretical ex-rights price of HK\$0.0938 per Share based on the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 91.80% to the average closing price of HK\$0.61 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 91.67% to the average closing price of HK\$0.60 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 25% to the unaudited net assets value of HK\$0.04 per Share as at 31 May 2007.

The executive Directors and the non-executive Director consider that the discount of the subscription price of the Rights Shares to closing price of the Share on the Last Trading Day is reasonable on the basis that the terms of the Rights Issue (including the subscription price) are arrived at after arms-length negotiation with the Underwriters with the reference to the Company's unaudited net assets value of approximately HK\$0.04 per Share as at 31 May 2007. Besides, the subscription price of the Rights Shares and the size of Rights Issue are arrived after taking into account of (1) the amount of funds that the Company wishes to raise and (2) the prevailing market conditions accepted by the Company, Canossa Capital and the Underwriters. Although there is a large discount compared to the closing price as at the Last Trading Day, the Company considers the subscription price is fair and reasonable because the discount is due to the significant size of the Rights Issue. As such, Directors consider that the discount will encourage existing Shareholders to take up their entitlements, so as to share the potential growth of the Company. The independent non-executive Directors will form a view on the terms of the Rights Issue after they receive the advice from the independent financial adviser.

### **Basis of provisional allotments**

Twelve Rights Shares for every existing Share held by a Qualifying Shareholder on the Record Date.

### **Status of the Rights Shares**

When fully paid, issued and allotted, the Rights Shares will rank pari passu in all respects with the then existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong. The board lot of nil-paid rights is same as board lot of underlying rights, i.e. 4,000.

### **Rights of Non-Qualifying Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. If based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to offer the Rights Shares to any Non-Qualifying Shareholder because of either the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Shares will not be offered to such Non-Qualifying Shareholder. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus to the Non-Qualifying Shareholders (if any) for their information only. The Company will not send provisional allotment letters and forms for application for excess Rights Shares to the Non-Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Non-Qualifying Shareholders there may be, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100 for its own benefits.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted.

Application may be made by completing the forms of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares on a fair and equitable basis with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available, but will give preference to topping-up odd lots to whole board lots.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For investors whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:00 p.m. on 16 July 2007.

### **Share certificates**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary mail at their own risk on or before 22 August 2007.

## Conditions of the Rights Issue

The Right Issue is conditional upon, inter alia, the following conditions being fulfilled:

- (i) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of all relevant documents relating to the Rights Issue;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;
- (iii) the passing of the relevant resolutions by the Shareholders approving the Rights Issue and the increase in authorized share capital at the EGM of the Company in accordance with the Listing Rules; and
- (iv) the obligations of the Underwriters under the Underwriting Agreement not being terminated by the Underwriters in accordance with the terms hereof.

In the event that the conditions of Rights Issue in the Underwriting Agreement (other than the conditions (i), (ii), and (iii) which cannot be waived) have not been satisfied and/or waived by the relevant dates and times set out in the Underwriting Agreement, all liabilities of the parties shall cease and determine and none of the parties shall have any claim against the other save for expenses referred to in the Underwriting Agreement.

### 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 Rights Shares in both their nil-paid and fully-paid forms.

## UNDERWRITING ARRANGEMENT

### Underwriting Agreement

- Date : 20 June 2007
- Parties : the Company, Canossa Capital, the Underwriters and SHK International
- Number of Rights Shares underwritten : 753,864,000 Rights Shares, being the difference between the total number of Rights Shares i.e. 1,008,000,000 which the Company proposed to issue to the Qualifying Shareholders and 254,136,000 Rights Shares which Canossa Capital is the beneficial owner of 21,178,000 Shares and it has agreed to accept 254,136,000 Rights Shares which will be provisionally allotted to it as at the date hereof. Each Underwriter's commitment and obligation is set-off and discharged by any Rights Shares which each Underwriter's clients have been taken.
- Commission : 2.25% of the subscription price for the Underwritten Shares, the Directors consider that such commission is fair and reasonable and was determined after arm's length negotiations between the Company and the Underwriters

## **Termination of the Underwriting Agreement**

The Underwriters may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date, if there occurs:

- (i) the occurrence of the following events would, in the reasonable opinion of the Underwriters, materially and adversely affect the business, financial or trading position or prospects of the Company as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriters to proceed with the Rights Issue:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;
  - (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 of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui 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
  - (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);
- (ii) any change occurs in the circumstances of the Company which would materially and adversely affect the prospects of the Company as a whole;
- (iii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (iv) the Underwriters shall receive notification or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if the Underwriters shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Company as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or
- (v) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the attention of the Underwriters, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriters may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

## **Canossa Capital's undertaking**

The Rights Issue is fully underwritten by the Underwriters other than 254,136,000 Rights Shares undertaken to be subscribed by Canossa Capital, who is the beneficially interested in 21,178,000 Shares at the date of this announcement. Canossa Capital has given an irrevocable undertaking in favour of the Company and the Underwriters to accept and procure acceptance its entitlements to 254,136,000 Rights Shares, representing approximately 25.21% of the total Rights Shares which will be provisionally allotted to it pursuant to the Rights Issue and approximately 23.27% of the enlarged share capital of the Company immediately after the issue of the 1,008,000,000 Rights Shares pursuant to the Rights Issue assuming no option is exercised on or before the Record Date.

## Effects on shareholding structure

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue:

	Immediately before completion of the Rights Issue		Upon completion of the Rights Issue (assuming Canossa Capital and the public shareholders have taken up the Rights Shares in full)		Upon completion of the Rights Issue (Assuming none of the public shareholders will take up the Rights Shares except Canossa Capital and underwriting commitment)	
	Shares	approximately %	Shares	approximately %	Shares	approximately %
Canossa Capital (Note 1)	21,178,000	25.21	275,314,000	25.21	275,314,000	25.21
Public Shareholders	62,822,000	74.79	816,686,000	74.79	816,686,000	74.79
					(note 2)	
Total	<u>84,000,000</u>	<u>100</u>	<u>1,092,000,000</u>	<u>100</u>	<u>1,092,000,000</u>	<u>100</u>

### Notes:

1. Mr. Wong Danny F. an executive director and chairman of the Company is the sole shareholder of Canossa Capital.
2. 753,864,000 Shares out of the 816,686,000 Shares are the Underwritten Shares taken up by the Underwriters. At the date of the Underwriting Agreement, each of the Underwriter is not a party acting in concert (as defined in the SFO) with each other and its ultimate beneficial owners are not Connected Persons of the Company. The Underwriters may not become a substantial shareholder (as defined under the Listing Rules).

In the event that the Underwriters are required to take up the Rights Shares pursuant to their underwriting obligations, the Underwriters shall procure independent placees to take up such number of Rights Shares immediately as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with upon completion of the Rights Issue.

The Company undertakes to ensure that the shareholding in the public hands on or before completion of the Right Issue will comply with the requirement under Rule 8.08 of the Listing Rules.

## WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares are expected to be dealt in on an ex-rights basis from 13 July 2007.

**Dealings in the Rights Shares in nil-paid form are expected to take place from 3 August 2007 to 8 August 2007 (both days inclusive). If the Underwriting Agreement is terminated (see the section headed “Termination of the Underwriting Agreement” above), or if the conditions of the Rights Issue (see the section headed “Conditions of the Rights Issue” above) are not fulfilled or waived, the Rights Issue will not proceed.**

**Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Rights Shares, are at investors’ own risk.**

If in any doubt, investors should consider obtaining professional advice.



## REASONS FOR THE RIGHTS ISSUE AND USE OF THE PROCEEDS

The Directors consider that it is prudent to finance the Company's long-term growth by long term funding, preferably in the form of equity which will not increase the Company's finance costs. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

The Directors consider appropriate for the Company to capture the fund raising opportunity through the Rights Issue on a fully underwritten basis and on a basis which will allow all Qualifying Shareholders to participate in the Rights Issue in proportion to their shareholdings. The gross proceeds from the Rights Issue is expected to be approximately HK\$50.4 million and the net proceeds from the Rights Issue is expected to be approximately HK\$48.4 million, which is derived from deducting approximately HK\$2 million expenses (i.e. comprising mainly are the commission fee of the Rights Issue, professional fees and administration expenses related to the completion of Rights Issue) from the gross proceeds from the Rights Issue. The net proceeds will be used to strengthen the Company's existing investments mainly for investment in equity pursuant to the investment objectives adopted by the Company. As at the date of this announcement, the Company has not identified any specific investment opportunities.

## FUND RAISING ACTIVITIES DURING PAST 12 MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement. The actual use of proceeds of the following fund-raising activities are in line with the intended use of proceeds as disclosed in the relevant announcements of the Company.

Description	Date of announcement	Net amount raised	Date of general mandates granted	Intended use of proceeds as announcement	Actual use of proceeds
Placing of shares	9 May 2007	HK\$4.9 million	28 June 2006	HK\$2.5 million — acquire listed securities in Hong Kong  HK\$2.4 million — general working capital	Fully utilized as intended and HK\$2.4 million is placed into bank for general working capital
Placing of shares	31 May 2007	HK\$7 million	21 May 2007	HK\$2.8 million — acquire listed securities in Hong Kong  HK\$2.8 million — acquire high return opportunities including pre-IPO issue  HK\$1.4 million — general working capital	Fully utilized as intended and HK\$1.4 million is placed into bank for general working capital

## EXPECTED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable for the Rights Issue set out below is indicative. Any consequential changes to the expected timetable will be published by way of public announcement.

Despatch of circular with notice of EGM .....	5 July 2007
Last day of dealings in Shares on cum-rights basis .....	12 July 2007
First day of dealing in Shares on ex-rights basis .....	13 July 2007
Latest time for lodging transfers of Shares in order to be entitled to the Rights Issue .....	4:00 p.m. on 16 July 2007
Register of members closes (both dates inclusive) .....	17 July 2007 to 23 July 2007
Last time for return of proxy form of EGM .....	9:30 a.m. 21 July 2007
Expected date of EGM .....	9:30 a.m. 23 July 2007
Record Date .....	23 July 2007
Register of members reopens .....	24 July 2007
Prospectus Documents expected to be despatched on .....	30 July 2007
First day of dealings in nil-paid Rights Shares .....	1 August 2007
Latest time for splitting nil-paid Rights Shares .....	4:00 p.m. on 3 August 2007
Last day of dealings in nil-paid Rights Shares .....	8 August 2007
Latest time for acceptance of, payment for Rights Shares and application for excess Rights Shares .....	4:00 p.m. on 13 August 2007
Expected time for the Rights Issue to become unconditional .....	4:00 p.m. on 16 August 2007
Announcement of results of the Rights Issue .....	17 August 2007
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before .....	22 August 2007
Certificates for fully-paid Rights Shares expected to be despatched on or before .....	22 August 2007
Dealings in fully-paid Rights Shares expected to commence on .....	24 August 2007

Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any change to the anticipated timetable for the Rights Issue will be published as and when appropriate.

## **INCREASE IN AUTHORISED SHARE CAPITAL OF THE COMPANY**

As at the date of this announcement, the authorised share capital of the Company was HK\$2,000,000 divided into 200,000,000 Shares, of which 84,000,000 Shares were issued and fully paid or credited as fully paid.

In order to accommodate future expansion and growth of the Company, the Board proposes to increase the existing authorised share capital of the Company to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,800,000,000 unissued Shares of HK\$0.01 each. The proposed increase in the authorised share capital of the Company is independent from the Rights Issue.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by Shareholders at the EGM, and no Shareholder is required to abstain from voting on such resolution.

## **GENERAL**

Pursuant to Rule 7.19 (6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. Therefore, Mr. Wong Danny F., Mr. Wu Tse Wai, Frederick and Mr. Fong Chi Wah, being the executive Directors, and Ms. Yang XiaoFeng, being the non-executive Director, and their respective associates (including Canossa Capital) will abstain from voting in favour of the resolution relating to the Rights Issue. The Rights Issue will be voted by poll at the EGM.

An independent board committee of the Company will be established to make recommendations to the Independent Shareholders in relation to the Rights Issue and an independent financial adviser will be appointed to advise such independent board committee and the Independent Shareholders in relation to the Rights Issue.

A circular containing, among others, details regarding (i) Rights Issue and increase in authorized shares capital; (ii) the recommendation of the independent board committee of the Company in relation to the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as possible.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, pending the release of this announcement, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 15 June 2007 and an application has been made for the resumption of trading with effect from 9:30 a.m. on 22 June 2007.

## **DEFINITIONS USED IN THIS ANNOUNCEMENT**

“associates”	has the meaning ascribed to it under the Listing Rules
“Acceptance Date”	Latest day for acceptance of and payment for the Rights Shares which is expected to be at 4:00 p.m. on 13 August 2007
“Board”	the board of Directors

“Business Day”	a full day (other than a Saturday) on which banks are generally open for business in Hong Kong
“Canossa Capital”	Canossa Capital Ltd, a company incorporated in British Virgin Islands and is wholly-owned by Mr. Wong Danny F., a chairman and an executive director of the Company
“China Merchants”	China Merchants Securities (HK) Co., Ltd., a licence corporation to carry out type 1,2,4,6,9 regulated activities under the SFO
“Company”	China Financial Industry Investment Fund Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Connected Persons”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, amongst other things, the Rights Issue and the Increase in authorized share capital
“Grand Vinco”	Grand Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Wong Danny F., Mr. Wu Tse Wai, Frederick, Mr. Fong Chi Wah and Ms. Yang XiaoFeng and their respective associates (including Canossa Capital)
“Last Trading Day”	14 June 2007, being the date on which the Shares were last traded on the Stock Exchange
“Listing Rules”	rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date is (are) outside Hong Kong
“Posting Date”	30 July 2007, the expected date for despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and form of application for excess Rights Shares

“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	23 July 2007, the record date by which entitlements to the Rights Issue will be determined
“Registrar”	Tengis Limited, whose registered address is 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue of 1,008,000,000 Rights Shares at a price of HK\$0.05 per Rights Share
“Rights Shares”	1,008,000,000 Shares to be issued under the Rights Issue
“Settlement Date”	the third Business Day after the Acceptance Date or such other date as the Underwriters may agree in writing with the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“SHK Investment”	Sun Hung Kai Investment Services Limited, a licenced corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities for the purpose of the SFO
“SHK International”	Sun Hung Kai International Limited, a licenced corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
“Share(s)”	share(s) of HK\$0.01 each in the existing capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Underwriters”	China Merchants, SHK Investment and Grand Vinco
“Underwriting Agreement”	the underwriting agreement dated 20 June 2007 and entered into between the Company, Canossa Capital, the Underwriters and SHK International in relation to the Rights Issue
“Underwritten Shares”	753,864,000 Rights Shares

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

Hong Kong, 21 June 2007

*As at the date hereof, the Board of the Company comprises three executive directors, namely Mr. Wong Danny F., Mr. Wu Tse Wai, Frederick and Mr. Fong Chi Wah; a non-executive director, namely Ms. Yang XiaoFeng; and three independent non-executive directors, namely 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.