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CHINA FINANCIAL INTERNATIONAL INVESTMENTS LIMITED

中國金融國際投資有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 721)

**(1) PROPOSED SUBSCRIPTION FOR NEW SHARES;
AND
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) RESUMPTION OF TRADING**

Financial adviser to the Company



On 13 July 2014, the Company entered into the Previous Subscription Agreement with Wailianfa, the Second Subscriber, the Outgoing Subscriber, the First Guarantor and the Second Guarantor, in relation to the subscription for 11,500,000,000 new Shares by Wailianfa, 880,000,000 new Shares by the Second Subscriber and 800,000,000 new Shares by the Outgoing Subscriber. On 4 September 2014, the parties to the Previous Subscription Agreement entered into the Termination Agreement to terminate the Previous Subscription Agreement and the rights and obligations of the parties thereto in its entirety. The parties to the Termination Agreement have agreed not to make any claim for damages as a result of the termination of and/or seek specific performance of the Previous Subscription Agreement. None of the transactions contemplated under the Previous Subscription Agreement has been completed.

On 4 September 2014, the Company, Wailianfa, the First Guarantor and the Second Guarantor entered into the First Subscription Agreement in respect of the First Subscription, pursuant to which Wailianfa has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 11,500,000,000 new Shares (representing (i) approximately 246.75% of the entire issued share capital of the Company as at the date of the First Subscription Agreement, (ii) approximately 71.16% of the entire issued share capital of the Company as enlarged by the issue of the First Subscription Shares; and (iii) approximately 67.64% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares) at the First Subscription Price of HK\$0.2 per First Subscription Share.

On 4 September 2014, the Company and the Second Subscriber entered into the Second Subscription Agreement in respect of the Second Subscription, pursuant to which the Second Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 840,000,000 new Shares (representing (i) approximately 18.02% of the entire issued share capital of the Company as at the date of the Second Subscription Agreement, (ii) approximately 15.27% of the entire issued share capital of the Company as enlarged by the issue of the Second Subscription Shares; and (iii) approximately 4.94% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares) at the Second Subscription Price of HK\$0.2 per Second Subscription Share.

The Subscription Shares, in aggregate, represent (i) approximately 264.77% of the existing issued share capital of the Company; and (ii) approximately 72.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Each of the First Subscription Price, and the Second Subscription Price is the same and equivalent to HK\$0.2 per Subscription Share which represents: (i) a discount of approximately 66.67% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 65.40% to the average of the closing prices of HK\$0.578 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 5.26% over the unaudited net asset value per Share of HK\$0.19 as at 30 June 2014.

Each of the First Subscription Price and the Second Subscription Price was arrived at after arm's length negotiations between the Company and each of Wailianfa and the Second Subscriber respectively with reference to the liquidity, the recent trading performance of the Shares and the volume of the respective Subscription Shares to be subscribed for under the respective Subscription Agreements. The Directors (excluding all members of the Independent Board Committee who will give their opinion on the First Subscription Price and the terms of the First Subscription Agreement after reviewing the advice from the independent financial adviser to be appointed by the Board with the approval of the Independent Board Committee) consider that both the First Subscription Price and the Second Subscription Price and the terms of each of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The aggregate net proceeds of the Subscriptions of approximately HK\$2,464 million will be applied for potential investments and general working capital of the Group.

WHITEWASH WAIVER

As at the date of the First Subscription Agreement, Wailianfa, the Nominee Subscriber and parties acting in concert with each of them do not own or have control or direction over any Shares. Upon the First Completion, 11,500,000,000 First Subscription Shares will be issued to the Nominee Subscriber, being the nominee of Wailianfa, at the direction of Wailianfa, as a result, the interests of the Nominee Subscriber in the voting rights of the Company will be approximately 67.64% (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares from the date of the First Subscription Agreement and up to the First Completion). Accordingly, the Nominee Subscriber and parties acting in concert with it would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the issue of the First Subscription Shares will be made on behalf of the Nominee Subscriber and parties acting in concert with it. The First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. Wailianfa, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with RightFirst Holdings Limited, the associate of the First Guarantor), the Second Subscriber and their associates and any other Shareholders who are involved or interested in the First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution(s) approving the First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

PROFIT WARNING

The Company would like to draw the attention of Shareholders to the announcement of the Company dated 14 August 2014 in relation to the Profit Warning. Pursuant to Rule 10 of the Takeovers Code, the Profit Warning will constitute profit forecasts which would be required by Rule 10.3(d) of the Takeovers Code to be reported on by financial advisers and auditors, and under Rule 10.4 of the Takeovers Code, their reports must be included in the next document sent to the Shareholders.

As the Company is currently finalizing the Annual Results and is expected to publish the Annual Results on 12 September 2014 and if the Annual Results are included in the circular in relation to, among others, details of the Subscriptions, the Specific Mandates and the Whitewash Waiver, which is due to be despatched on or before 25 September 2014 (if not extended in accordance with the Takeovers Code), the Annual Results would fall under Rule 10.9 of the Takeovers Code and the reporting on requirement of the Profit Warning will no longer be required.

Shareholders and potential investors should note that the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus they are advised to exercise caution in placing reliance on the Profit Warning (i) in assessing the merits and demerits of the Subscriptions, the Specific Mandates and the Whitewash Waiver; and (ii) in respect of dealing in the securities of the Company.

GENERAL

The Independent Board Committee will be formed to advise the Independent Shareholders on the terms of the First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. None of the members of the Independent Board Committee will have any interest or involvement in the transactions contemplated under the First Subscription Agreement or the Whitewash Waiver. An independent financial adviser will be appointed with the approval of Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the First Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. The Company will make another announcement upon the establishment of the Independent Board Committee and/or the appointment of the independent financial adviser.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Subscription Agreements and the transactions contemplated thereunder; (ii) the grant of the Specific Mandates; and (iii) the Whitewash Waiver. The voting in relation to the Subscription Agreements, the Specific Mandates and the Whitewash Waiver at the SGM will be conducted by way of a poll whereby Wailianfa, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with RightFirst Holdings Limited, the associate of the First Guarantor), the Second Subscriber and their respective associates and any other Shareholders who are interested or involved in the First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are interested or involved in the Second Subscription and no Shareholders are required to abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Second Subscription Agreement and the Specific Mandate in respect of the Second Subscription Shares.

A circular containing, among other things, details of the Subscriptions, the Specific Mandates and the Whitewash Waiver, together with the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver, and the notice of SGM is expected to be despatched by the Company to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

The Subscriptions are subject to the satisfaction (or, if applicable, waiver) of a number of conditions, including but not limited to the First Completion is subject to the completion of the Reorganisation, as set out in this announcement and, accordingly, the Subscriptions may or may not proceed and are possibilities only. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

TRADING HALT AND RESUMPTION OF TRADING

Trading of the Shares was halted with effect from 9:00 a.m. on 14 July 2014 pending the release of this announcement. Trading of the Shares will resume at 9:00 a.m. on 5 September 2014.

INTRODUCTION

On 13 July 2014, the Company entered into the Previous Subscription Agreement with Wailianfa, the Second Subscriber, the Outgoing Subscriber, the First Guarantor and the Second Guarantor, in relation to the subscription for 11,500,000,000 new Shares by Wailianfa, 880,000,000 new Shares by the Second Subscriber and 800,000,000 new Shares by the Outgoing Subscriber. On 4 September 2014, the parties to the Previous Subscription Agreement entered into the Termination Agreement to terminate the Previous Subscription Agreement and the rights and obligations of the parties thereto in its entirety. The parties to the Termination Agreement have agreed not to make any claim for damages as a result of the termination of and/or seek specific performance of the Previous Subscription Agreement. None of the transactions contemplated under the Previous Subscription Agreement has been completed.

THE SUBSCRIPTIONS

(A) The First Subscription Agreement

- Date: 4 September 2014
- Parties: (i) the Company;
- (ii) Wailianfa;
- (iii) the First Guarantor; and
- (iv) the Second Guarantor.

Wailianfa is a company established in the PRC in 1993. As at the date of this announcement, Wailianfa is owned as to (i) 89.76 % by Shanghai Shengjin Investment Company Limited[#] (上海聖金投資有限公司) which is wholly owned by Shanghai Hemiao Investment Company Limited[#] (上海河苗投資有限公司) which in turn is owned as to 58.33% by Chen Yue[#] (陳越) and 41.67% by Chen Hui[#] (陳輝); and (ii) 10.24% by Shanghai Tailite Economic Development Company Limited[#] (上海泰利特經濟發展有限公司) which in turn is owned as to 55% by Dian Guohua[#] (典國華), 35% by Zhu Zemin[#] (朱澤民) and 10% by Hu Dehua[#] (胡德華). As one of the conditions precedent of the First Subscription Agreement, the shareholdings of Wailianfa will change and upon completion of the Reorganisation, it will be owned as to (i) 46.51% by Shandong Xinneng New Materials Limited[#] (山東信能新材料有限公司) which in turn is owned as to 70% by Zhang Gang[#] (張剛), 10% by Sun Peilian[#] (孫培蓮), 10% by Zhou Huifang[#] (周輝放), 5.5% by Zhai Lu[#] (翟璐) and 4.5% by Yuan Zhigang[#] (袁志剛); (ii) 23.26% by Zhongqilian Holding Group Limited[#] (中企聯控股集團有限公司) which in turn is wholly owned by Ma Jun[#] (馬鈞); (iii) 13.95%

by Shanghai Zhifu Kechuang Investment Limited[#] (上海智富科創投資有限公司) which in turn is owned as to 49% by Yan Yuewen[#] (嚴悅文) and 51% by Zhifu Enterprise Development (Group) Limited[#] (智富企業發展(集團)有限公司) which in turn is owned as to 80% by Ding Qinfu[#] (丁勤富) and 20% by Yan Yuewen[#] (嚴悅文); (iv) 9.30% by Shanghai Guangtong Shenzhou Network Communication Development Limited[#] (上海光通神洲網路通信發展有限公司) which in turn is wholly owned by Yuan Feng[#] (袁峰); (v) 4.65% by Shanxi Anze Investment Limited[#] (陝西安澤投資有限公司) which in turn is owned as to 51% by Wang Wenjun[#] (王文軍) and 49% by Chen Hong[#] (陳紅); (vi) 2.09% by Shanghai Shengjin Investment Company Limited[#] (上海聖金投資有限公司) whose ultimate shareholders and their shareholdings will remain the same; and (vii) 0.24% by Shanghai Tailite Economic Development Company Limited[#] (上海泰利特經濟發展有限公司) whose ultimate shareholders and their shareholdings will remain the same.

Wailianfa is principally engaged in asset management and investment management with a focus on the financial sector, and aims to create return for its shareholders and assist in the development of the financial sector in Shanghai through its participation in the investment in various funds and companies engaged in investment holding, consumer financing, securities and futures trading and provision of financial services or similar businesses. Wailianfa has invested in various financial institutions located in Shanghai. As at the date of this announcement, the investment portfolio size of Wailianfa is approximately RMB93 million.

As confirmed by Wailianfa, (i) it and its ultimate beneficial owners as at the date of this announcement, did not know the Second Subscriber and/or its ultimate beneficial owner prior to entering into the Previous Subscription Agreement; (ii) it and its ultimate beneficial owners upon completion of the Reorganisation are independent of the Second Subscriber and/or its ultimate beneficial owner; (iii) it will finance the subscription money payable by it under the First Subscription Agreement by its own funding or borrowings and are not related to the Second Subscriber and its ultimate beneficial owner; (iv) it, its ultimate beneficial owners upon completion of the Reorganisation and parties acting in concert with any of them have no agreement, arrangement or understanding (whether formal or informal) with the Second Subscriber and/or its ultimate beneficial owner in relation to the Previous Subscription Agreement, the Subscriptions and/or otherwise; and (v) it is not actively co-operating with the Second Subscriber and/or its ultimate beneficial owner and parties acting in concert with any of them to obtain or attempt to obtain or consolidate control of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Wailianfa, the Nominee Subscriber and their respective ultimate beneficial owners do not own or have control or direction over any Shares as at the date of this announcement and Wailianfa, the Nominee Subscriber and their respective ultimate beneficial owners upon completion of the Reorganisation are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company and as confirmed by Wailianfa and the Nominee Subscriber, each of Wailianfa and the Nominee Subscriber is a high net worth professional investor under the Securities and Futures (Professional Investor) Rules respectively.

Number of First Subscription Shares

Pursuant to the First Subscription Agreement, Wailianfa has conditionally agreed to procure the Nominee Subscriber to subscribe for and the Company has conditionally agreed to allot and issue 11,500,000,000 new Shares (representing (i) approximately 246.75% of the entire issued share capital of the Company as at the date of the First Subscription Agreement, (ii) approximately 71.16% of the entire issued share capital of the Company as enlarged by the issue of the First Subscription Shares; and (iii) approximately 67.64% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares) at the First Subscription Price of HK\$0.2 per First Subscription Share.

The First Subscription Price

The First Subscription Price of HK\$0.2 per First Subscription Share represents (i) a discount of approximately 66.67% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 65.40% to the average of the closing prices of HK\$0.578 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 5.26% over the unaudited net asset value per Share of HK\$0.19 as at 30 June 2014.

The First Subscription Price is the same as the Second Subscription Price. The First Subscription Price was arrived at after arm's length negotiations between the Company and Wailianfa with reference to the liquidity, the recent trading performance of the Shares and the volume of the First Subscription Shares to be subscribed for under the First Subscription Agreement. The Directors (excluding all members of the Independent Board Committee who will give their opinion after reviewing the advice from the independent financial adviser to be appointed and approved by the Board with the approval of the Independent Board Committee) consider that the First Subscription Price and the terms of the First Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the First Subscription

The completion of the First Subscription is conditional upon

- (1) the Company and/or the Guarantors not having breached any of the undertakings and warranties given by the Company and the Guarantors in the First Subscription Agreement and such undertakings and warranties remaining true and accurate in all respects and not misleading;
- (2) the Company is in compliance with all its undertakings given in favour of Wailianfa pending completion as set out in the sub-paragraph headed “Undertaking pending completion” below;
- (3) the Executive granting the Whitewash Waiver (in connection with the First Subscription) to the Nominee Subscriber and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (4) if applicable, the Disposals having been approved by the Stock Exchange;
- (5) the obtaining of all necessary consent and approval by the Company, including but not limited to passing by the Board and the Independent Shareholders at the SGM, among other things, the necessary resolutions to approve the First Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver);
- (6) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the First Completion);
- (7) the Bermuda Monetary Authority granting consent to (if required) the issue of the First Subscription Shares (and such consent not being subsequently revoked prior to the First Completion);
- (8) the obtaining of a Bermuda legal opinion (in such form as agreed between Wailianfa and the Company) in relation to the First Subscription Agreement and the transaction contemplated thereunder, at the cost and expense of the Company;
- (9) the obtaining of a PRC legal opinion (in such form as agreed between Wailianfa and the Company) in relation to the Disposals and the business of the Company in the PRC, at the cost and expense of the Company;

- (10) all parties to the First Subscription Agreement having signed all relevant documents in connection with the First Subscription;
- (11) fulfillment of all the terms and conditions and there is no breach of the First Subscription Agreement;
- (12) the establishment of the Nominee Subscriber by Wailianfa and obtaining of all necessary consent and approval (including but not limited to the foreign-exchange approval) by the Nominee Subscriber;
- (13) Wailianfa has legally transferred all the necessary funding in respect of the First Subscription to the designated bank account of the Nominee Subscriber which can be freely applied;
- (14) the obtaining of all necessary consent and approval by Wailianfa, including but not limited to passing by the board of Wailianfa and the shareholders of Wailianfa the necessary resolutions to approve the First Subscription Agreement and the transactions contemplated thereunder;
- (15) the obtaining of all necessary consent and approval by Wailianfa from the relevant PRC competent authorities (including but not limited to the Ministry of Commerce, the National Development and Reform Commission, the foreign exchange department and/or other relevant local authorities in the PRC);
- (16) the completion of the Disposals in accordance with applicable laws, regulations, government policies, the Listing Rules and the terms of the First Subscription Agreement;
- (17) the First Guarantor having created a share charge to charge all the 685,914,830 Shares, representing approximately 14.72% of entire issued share capital of the Company as at the date of this announcement, directly and indirectly owned by him in favour of Wailianfa one day before the despatch of the Circular to guarantee the performance of obligations of the Company and the Guarantors under the First Subscription Agreement and has delivered to Wailianfa the relevant share certificates, instrument(s) of transfer and sold note(s) signed in blank; and
- (18) completion of the Reorganisation.

Wailianfa has the right to waive the conditions numbered (1), (2), (8), (9), (10), (11), (16) and/or (17) above, save as the aforesaid, none of the above conditions can be waived by any parties to the First Subscription Agreement. All parties to the First Subscription Agreement shall use all endeavours to procure the fulfillment (or waiver as the case may be) of all the conditions above by the Long Stop Date or such other date as the parties to the First Subscription Agreement may agree. In the event that the conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date and the Company and Wailianfa have not agreed to extend the Long Stop Date within 15 days after the expiry of the Long Stop Date, the First Subscription Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach.

The First Subscription Agreement and the Second Subscription Agreement are not inter-conditional.

Obligation of the Guarantors

Pursuant to the First Subscription Agreement, each of the Guarantors has undertaken to Wailianfa the due and punctual performance by the Company (including but not limited to the fulfillment of the conditions precedent by the Company and due performance of the Disposals) under the First Subscription Agreement and further undertakes to compensate and indemnify Wailianfa against all liabilities, losses, costs and expenses suffered or incurred by Wailianfa in connection with any default of the Company in the performance of such obligations.

Without prejudice to the foregoing, the Company and the Guarantors are liable to compensate Wailianfa (i) all costs and expenses incurred by Wailianfa in connection with the First Subscription Agreement; and (ii) other damages incurred by Wailianfa, if

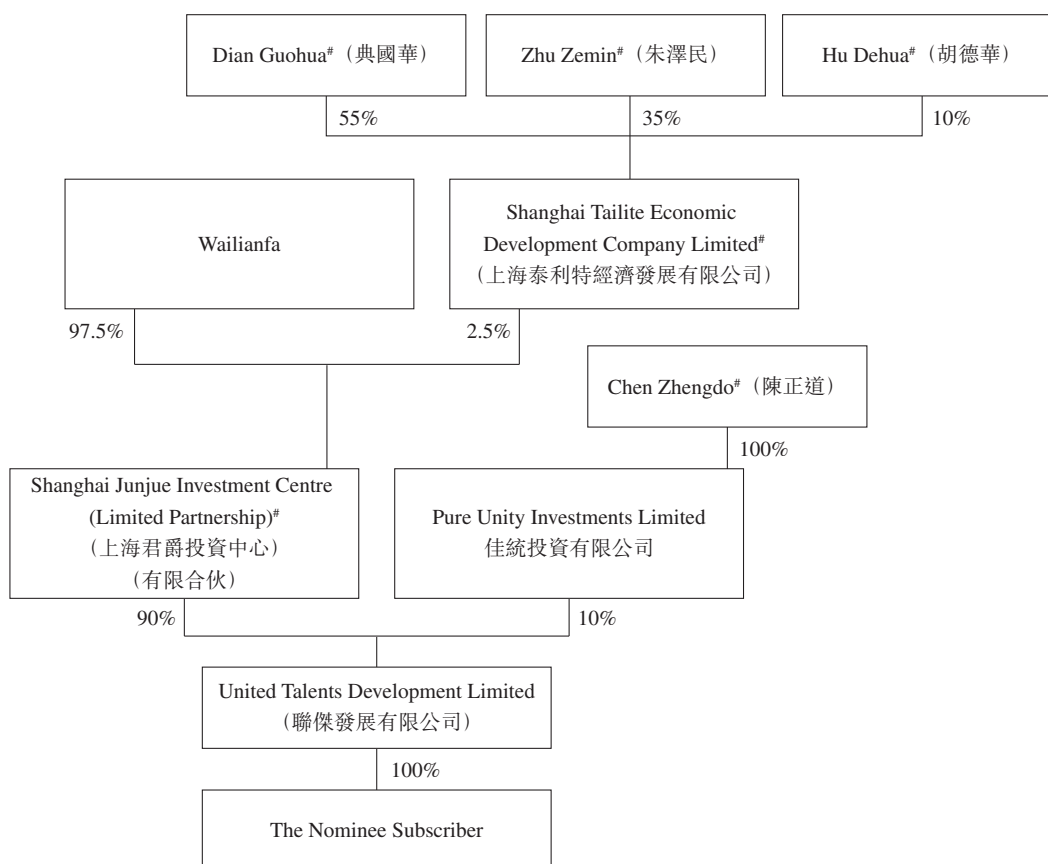
- (1) there is any antecedent breach by the Company and/or the Guarantors under the First Subscription Agreement;
- (2) the Company contacts or enters into any negotiation (either verbally or in writing) with other third party(ies) about subscription of Shares;
- (3) there is intentional delay in convening the SGM by the Company; and
- (4) the non-fulfillment of any conditions due to the default of the Company and/or the Guarantors.

Completion of the First Subscription

The First Completion will take place on the tenth Business Day after the conditions of the First Subscription have been fulfilled or waived (as the case may be) (or such other date and time as may be agreed between the Company and Wailianfa). On the First Completion, Wailianfa shall effect payment of the aggregate First Subscription Price in full, and the Company shall simultaneously, among other things, allot and issue the First Subscription Shares to the Nominee Subscriber, being a nominee of Wailianfa, at the direction of Wailianfa and deliver the relevant share certificate(s) to the Nominee Subscriber.

The Nominee Subscriber

The Nominee Subscriber, namely United Talents Holdings Limited (聯傑控股有限公司), is an investment holding company incorporated under the laws of the British Virgin Islands. The shareholding structure of the Nominee Subscriber as at the date of this announcement is shown below:



As confirmed by Wailianfa, the Nominee Subscriber, the direct and indirect shareholders of the Nominee Subscriber and their respective ultimate beneficial owners are Independent Third Parties.

Undertakings pending First Completion

The Company shall from the date of the First Subscription Agreement until the First Completion sufficiently consult with Wailianfa in relation to any matters which may have material effect upon the Company or its business and financial position, in particular, the Company shall

- (1) continue to carry on its business in the ordinary course in accordance with all applicable laws, regulations, rules, standards and other lawful requirements;
- (2) to settle all debts incurred in the ordinary course of business within applicable credit periods;
- (3) inform Wailianfa forthwith any change in the business of the Company with full particular of the change;
- (4) disclose to Wailianfa forthwith the occurrence of any event or circumstance (either existing at the date of the First Subscription Agreement or occurring thereafter) that may result in breaching any of provision of the First Subscription Agreement or any of the warranties becoming untrue or inaccurate and all relevant information relating thereto;
- (5) allow Wailianfa or its authorised persons to inspect the books and records of the Company with reasonable prior notice and provide copies of the books and records of the Company at the request of Wailianfa; and
- (6) duly observe all the undertaking given by the Company and the Guarantors under the First Subscription Agreement.

The Company shall not, from the date of the First Subscription Agreement until the First Completion, except with the prior written consent of Wailianfa,

- (a) carry out any investment or undertake or sign any agreement or document to invest in any new projects;
- (b) change, widen or decrease the scope of the current business of the Company;
- (c) create encumbrance on any asset, property or investment of the Company;

- (d) waive or relinquish any right in any debt or guarantee;
- (e) provide any guarantee in favour of any third party;
- (f) alter its memorandum of association or bye-laws;
- (g) increase or reduce the capital of the Company or create any related scheme;
- (h) enter into demerger, amalgamation or merger with any other company or any related scheme;
- (i) wind up, liquidate or terminate the operation of the Company;
- (j) declare, make and pay any dividend or distribution to the Shareholders;
- (k) change the composition or members of the Board;
- (l) sell or offer to sell any securities of the Company, including but not limited to bonds, convertible bonds or option to any individuals, corporations, organizations or entities;
- (m) set up any share incentive scheme;
- (n) provide any financial assistance to any individuals, corporations, organizations or entities;
- (o) borrow moneys from any individuals, corporations, organizations or entities;
- (p) lend moneys to any individuals, corporations, organizations or entities;
- (q) formulate any budget, plan, arrangement and scheme resulting in one-off or accumulative expenditure exceeding HK\$500,000;
- (r) lease, acquire, dispose of or sub-lease of any asset and property of the Company;
- (s) conduct any placing, rights issue, share issue or issue of convertible securities;
- (t) alter its authorized share capital;
- (u) conduct any share consolidation, sub-division or capitalization issue;

- (v) alter the rights attaching to any retirement scheme or employee compensation scheme of the Company including conferring or setting up or declaration of conferring or setting up any scheme that provide additional payment to the retirement and employee compensation scheme;
- (w) commence, defend or settle or agree to settle any legal, administrative or arbitration proceedings;
- (x) do any act resulting in breach of the First Subscription Agreement or causing the Company to incur any liabilities;
- (y) do or not do or allowing any third party doing or not doing any act which results in breach of the warranties and other terms of the First Subscription Agreement;
- (z) transfer or sub-licence any qualification, permit, licence to any third party(ies) save and except for Wailianfa; and
- (aa) alter the organization of the Company.

The Disposals

The Unlisted Company Investments

Pursuant to the First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of the Unlisted Company Investments, for total cash consideration of not less than HK\$589,000,000. The disposal of the Unlisted Company Investment shall be completed by 30 November 2014. The Company shall realize its investments in Unlisted Company Investments progressively and by 31 October 2014, the Company shall have realised part of the Unlisted Company Investments and shall have received cash consideration of not less than HK\$412,300,000 and by 30 November 2014, the Company shall have realised all the Unlisted Company Investments and received cash consideration of not less than HK\$589,000,000. The Guarantors shall compensate Wailianfa the difference in the amount in the event that the total cash consideration received from the disposal of the Unlisted Company Investments is less than HK\$589,000,000.

The Listed Company Investments

Pursuant to the First Subscription Agreement, the Company shall dispose of and the Guarantors shall procure the Company to dispose of the Listed Company Investments for total cash consideration of not less than HK\$138,000,000. Such disposal shall be completed before the date of SGM. The Guarantors shall compensate Wailianfa in the event that the total cash consideration received from the disposal of the Listed Company Investments is less than HK\$138,000,000.

The Cooperative Agreements

Pursuant to the First Subscription Agreement, the Company shall terminate and the Guarantors shall procure the Company to terminate the Cooperative Agreements within 10 days from the date of the First Subscription Agreement.

The Other Receivables

Pursuant to the First Subscription Agreement, the Company shall collect and receive and the Guarantors shall procure the Company to collect and receive the Other Receivables in a total sum of not less than HK\$49,581,191.46 within 15 days from the date of the First Subscription Agreement. The Guarantors shall compensate Wailianfa the difference in the amount in the event that the total cash received from the Other Receivables is less than HK\$49,581,191.46.

Pursuant to the First Subscription Agreement, the Company shall not dispose of any of the assets under the Disposals to any parties to the First Subscription Agreement or their respective directors or shareholders or any of their respective associates or to any Shareholder and party that may render such disposal a “special deal” under Rule 25 of the Takeovers Code. Pursuant to the First Subscription Agreement, Wailianfa shall or shall procure its directors or shareholders or its associates or the Nominee Subscriber and the parties acting in concert with it not to acquire any assets under the Disposals or shall procure any party not to acquire any assets under the Disposals if the said acquisition of the assets under the Disposals may constitute a “special deal” under Rule 25 of the Takeovers Code.

Lock-up undertaking

Wailianfa has irrevocably undertaken to the Company that from the date of the First Completion and until the second anniversary thereof, it shall or shall procure the Nominee Subscriber not to dispose of any of the 11,500,000,000 First Subscription Shares in the secondary market or create any encumbrances over such Shares.

Nomination of Directors

Pursuant to the First Subscription Agreement, upon the First Completion, the Company shall procure the change in the constitution of the Board in compliance with the Listing Rules so that the new Board will comprise 9 members of which 3 are executive Directors, 3 are non-executive Directors and 3 are independent non-executive Directors. Wailianfa shall have the right to nominate a majority of the executive Directors and the non-executive Directors. The appointment of the Directors nominated by Wailianfa shall be carried out in accordance with the normal procedures of the Company for appointment of Directors.

Termination of the First Subscription Agreement

Pursuant to the First Subscription Agreement, Wailianfa has the right to terminate the First Subscription Agreement in the event of occurrence of any of the following events before the First Completion:

1. the Company and/or the Guarantors is/are in breach of any term of the First Subscription Agreement;
2. there is any material adverse change in the business, financial position and prospect of the Company;
3. the warranty(ies) is/are found untrue, inaccurate and/or incomplete; and
4. in the opinion of Wailianfa, the occurrence of any event that will hinder the realisation of its commercial purpose for entering into the First Subscription Agreement.

(B) The Second Subscription Agreement

Date: 4 September 2014

Parties: (i) the Company; and
(ii) the Second Subscriber.

The Second Subscriber is a company incorporated in the British Virgin Islands on 15 April 2014. The Second Subscriber is an investment holding company and its entire issued share capital is beneficially and directly held by Mr. Yu Huayong (余華勇). As at the date of the Second Subscription Agreement and as at the date of this announcement, the Second Subscriber and parties acting in concert with it do not own or have control or direction over any Shares.

As confirmed by the Second Subscriber, (i) it and its ultimate beneficial owner did not know Wailianfa, the Nominee Subscriber and/or their respective ultimate beneficial owners prior to entering into the Previous Subscription Agreement; (ii) it and its ultimate beneficial owner are independent of Wailianfa, the Nominee Subscriber and/or their respective ultimate beneficial owners; (iii) it will finance the subscription money payable by it under the Second Subscription Agreement by its own funding or borrowings and are not related to Wailianfa, the Nominee Subscriber and their respective and its ultimate beneficial owners; (iv) it, its ultimate beneficial owner and parties acting in concert with any of them have no agreement, arrangement or understanding (whether formal or informal) with Wailianfa, the Nominee Subscriber and/or their respective ultimate beneficial owners in relation to the Previous Subscription Agreement, the Subscriptions and/or otherwise; and (v) it is not actively co-operating with Wailianfa, the Nominee Subscriber and/or their respective ultimate beneficial owners and parties acting in concert with any of them to obtain or attempt to obtain or consolidate control of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Second Subscriber and its ultimate beneficial owner do not own or have control or direction over any Shares as at the date of this announcement and the Second Subscriber and its ultimate beneficial owner are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company and as confirmed by the Second Subscriber, it is a high net worth professional investors under the Securities and Futures (Professional Investor) Rules.

Number of Second Subscription Shares

Pursuant to the Second Subscription Agreement, the Second Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 840,000,000 new Shares (representing (i) approximately 18.02% of the entire issued share capital of the Company as at the date of the Second Subscription Agreement; (ii) approximately 15.27% of the entire issued share capital of the Company as enlarged by the issue of the Second Subscription Shares; and (iii) approximately 4.94% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares) at the Second Subscription Price of HK\$0.2 per Second Subscription Share.

The Second Subscription Price

The Second Subscription Price of HK\$0.2 per Second Subscription Share represents (i) a discount of approximately 66.67% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 65.40% to the average of the closing prices of HK\$0.578 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 5.26% over the unaudited net asset value per Share of HK\$0.19 as at 30 June 2014.

The Second Subscription Price is the same as the First Subscription Price. The Second Subscription Price was arrived at after arm's length negotiations between the Company and the Second Subscriber with reference to the liquidity, the recent trading performance of the Shares and the volume of Second Subscription Shares to be subscribed for under the Second Subscription Agreement. The Directors consider that both the Second Subscription Price and the terms of the Second Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Second Subscription

The completion of the Second Subscription is conditional upon:

- (1) the passing by the Shareholders at the SGM, among other things, an ordinary resolution to approve the Second Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate in respect of the Second Subscription Shares);
- (2) the Stock Exchange granting an approval for the listing of and permission to deal in the Second Subscription Shares to be issued (and such approval not being subsequently revoked prior to the completion of the Second Subscription);
- (3) the warranties given by the Second Subscriber in the Second Subscription Agreement remaining true, accurate and not misleading in all respects; and
- (4) the Bermuda Monetary Authority granting consent to (if required) the issue of the Second Subscription Shares.

None of the conditions in the Second Subscription Agreement can be waived. If any of the conditions to the Second Subscription cannot be fulfilled by 4:00pm on 20 December 2014 (or such other date and time as the parties to the Second Subscription Agreement may agree), all rights and obligations of the parties under the Second Subscription Agreement shall be terminated.

The Second Subscription Agreement and the First Subscription Agreement are not inter-conditional.

Completion of the Second Subscription

Completion of the Second Subscription will take place at 4:00 p.m. on the tenth Business Day after the conditions of the Second Subscription have been fulfilled (or such other date and time as may be agreed between the Company and the Second Subscriber).

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The issue of the Subscription Shares is subject to approval by the Shareholders (or the Independent Shareholders, as the case may be) at the SGM. Ordinary resolutions will be proposed at the SGM to seek, among other things, the Specific Mandates to issue the respective Subscription Shares under the respective Subscription Agreements.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Company is an investment company under Chapter 21 of the Listing Rules and is principally engaged in the investments in listed securities for short term and unlisted investments for medium and long term.

The Company has incurred losses for the past few years. Over the past few years, the slowdown in the global economic growth and the expected exit of the quantitative easing monetary policy by the United States of America has cast considerable uncertainties in the capital markets. Under such adverse conditions, the market value of the Group's listed securities portfolio had been declining. The Group's unlisted investments, which are mainly concentrated in small loan companies and guarantee companies in the PRC, were not able to be realised due to the uncertainty in the capital market. Due to the inability to realise the investment in the unlisted companies, the Group's cash in hand has been maintained at a relatively low level. As of 31 December 2013, the cash and cash equivalent of the Group was HK\$12.92 million.

The Directors are of the view that the Subscriptions represent a good opportunity for the Company to raise funds to strengthen its capital base and improve its financial position for the Company's future development and expansion and introduce strategic investors to the Company. The Directors also consider that by entering into the Subscription Agreements, the Company shall be able to raise a substantial amount of funds for the Company to invest in new opportunities, with an aim to improve the overall performance of the Group. The Directors are also of the view that the Subscriptions represent an opportunity for the Group to bring in a solid strategic investor, namely Wailianfa which has extensive investment experience and business network in the financial sector in the PRC. The Directors will explore the opportunity for the Group to generate synergy with Wailianfa in the future.

The Directors (excluding the members of the Independent Board Committee, who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the First Subscription Agreement and the Whitewash Waiver) are therefore of the view that the First Subscription is in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the Second Subscription is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

The gross proceeds of the Subscriptions is approximately HK\$2,468 million. All the net proceeds of the Subscriptions of approximately HK\$2,464 million will be applied for potential investments and general working capital of the Group.

CHANGES IN SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscriptions are as follows:

| | As at the date of this announcement and immediately before completion of the Subscriptions | | Immediately after completion of the Subscriptions | |
|--|---|---------------------|---|---------------------|
| | <i>No. of Shares</i> | <i>Approximate%</i> | <i>No. of Shares</i> | <i>Approximate%</i> |
| Directors and its associates | | | | |
| RightFirst Holdings Limited (<i>note 1</i>) | 500,000,000 | 10.73 | 500,000,000 | 2.94 |
| Du Lin Dong (“ Mr. Du ”) (<i>notes 2 & 3</i>) | 185,914,830 | 3.99 | 185,914,830 | 1.09 |
| Ding Xiaobin (<i>notes 2 & 3</i>) | 800,000 | 0.02 | 800,000 | 0.01 |
| Zeng Xianggao (<i>notes 2 & 3</i>) | 500,000 | 0.01 | 500,000 | 0.00 |
| Sub-total | 687,214,830 | 14.75 | 687,214,830 | 4.04 |
| The subscribers | | | | |
| The Nominee Subscriber (<i>note 4</i>) and parties acting in concert with it | – | – | 11,500,000,000 | 67.64 |
| The Second Subscriber (<i>note 6</i>) | – | – | 840,000,000 | 4.94 |
| Sub-total | – | – | 12,340,000,000 | 72.59 |
| Sino Day Financial International Holdings Limited (“ Sino Day ”) (<i>notes 5 and 6</i>) | 470,640,000 | 10.10 | 470,640,000 | 2.77 |
| Other public Shareholders (<i>note 6</i>) | 3,502,779,200 | 75.15 | 3,502,779,200 | 20.61 |
| Total | <u>4,660,634,030</u> | <u>100.00</u> | <u>17,000,634,030</u> | <u>100.00</u> |

Notes:

- The entire issued capital of RightFirst Holdings Limited is beneficially owned by Mr. Du, an executive Director. Mr. Du is therefore deemed to be interested in the 500,000,000 Shares held by RightFirst Holdings Limited.
- Each of Mr. Ding Xiaobin and Mr. Zeng Xianggao is a non-executive Director and an independent non-executive Director, respectively. Each of Mr. Du, Mr. Ding Xiaobin, Mr. Zeng Xianggao and Mr. Wang Dehe, a non-executive Director, also holds 4,700,000, 500,000, 500,000 and 40,000,000 share options of the Company respectively which confer them the rights to subscribe for 4,700,000, 500,000, 500,000 and 40,000,000 Shares respectively upon exercise of the subscription rights attached to such share options.

3. Each of Mr. Ding Xiaobin and Mr. Zeng Xianggao is not involved in the negotiation of the Subscription Agreements nor interested in the Subscription Agreements and they are not required to abstain from voting at the SGM to approve the Subscription Agreements, the Specific Mandates and the Whitewash Waiver. Mr. Du, an executive Director, a chief executive officer of the Company and a substantial Shareholder, is one of the guarantors to the First Subscription Agreement. Mr. Du is also involved in the negotiation of the Subscription Agreements. Mr. Du is interested and involved in the Subscriptions and is required to abstain from voting on the relevant resolutions to be proposed at the SGM.
4. Pursuant to the First Subscription Agreement, on the First Completion, the Company shall allot and issue the First Subscription Shares to the Nominee Subscriber, being a nominee of Wailianfa, at the direction of Wailianfa.
5. 50% of the issued capital of Sino Day is beneficially owned by Ms. Peng Ying. Ms. Peng Ying is therefore deemed to be interested in the 470,640,000 Shares held by Sino Day. As at the date of this announcement, Sino Day is a substantial Shareholder holding 10.10% of entire issued share capital of the Company. Upon completion of Subscriptions, Sino Day will only hold 2.77% of the entire issued share capital of the Company and be regarded as a public Shareholder.
6. Upon completion of the Subscriptions, approximately 28.32% of entire issued share capital of the Company will be held by the public Shareholders, which include Sino Day, the Second Subscriber and the other public Shareholders.

As at the date of this announcement, the Company has a total of 55,700,000 outstanding share options which entitles the holders of the share options to subscribe for 55,700,000 new Shares. The Company issued the CB with a nominal value of HK\$280,000,000 on 27 December 2012. The CB is convertible at the option of holder of the CB into the Shares at an initial conversion price of HK\$0.50 per Share which entitles the holder of the convertible bond to subscribe for approximately 560,000,000 new Shares. The Company also issued two options on 7 April 2014 which confer rights to the holders of the options to subscribe for, in aggregate, 400,000,000 news Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

| Date of announcement | Event | Estimated net proceeds | Intended use of proceeds | Actual use of proceeds |
|-----------------------------|------------------|-------------------------------|--|-------------------------------|
| 3 July 2013 | placing of bonds | HK\$13 million | The net proceeds are used or be invested in unlisted investments and for the general working capital of the Group. | used as intended |

Save for the disclosure of the issue of the above bonds, in the past 12 months immediately preceding the date of this announcement, the Company also issued other bonds (the “**Other Bonds**”) on 15 July 2013, 22 August 2013, 12 November 2013, 6 December 2013 and 3 January 2014 respectively in the aggregate sum of HK\$35,000,000, all of which were not required to be announced under the Listing Rules. The funds raised pursuant to the issue of the Other Bonds together with the above bonds amount to approximately HK\$48,000,000, which were used or invested in unlisted investments and for general working capital of the Group.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the previous 12 months immediately preceding the date of this announcement.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Each of Wailianfa, the Nominee Subscriber and the parties acting in concert with each of them has confirmed that neither it nor any persons acting in concert with it:

- (a) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of this announcement;
- (b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of Wailianfa and/or the Nominee Subscriber and which might be material to the transactions contemplated under the First Subscription Agreement and/or the Whitewash Waiver;
- (d) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the transactions contemplated under the First Subscription Agreement and/or the Whitewash Waiver;
- (e) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the First Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable); and
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Nominee Subscriber has confirmed that it, its minority shareholder and all parties acting in concert with it (i) has not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company (save for the First Subscription Shares) within the six months prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company (which would include informal discussions) in relation to the proposed issue of new securities; (ii) will not make any acquisitions or disposals of voting rights in the Company in the period between this announcement and the completion of the First Subscription; and (iii) at the time of incorporation of the Nominee Subscriber, did not own any voting rights and rights over Shares, options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company.

The persons acting in concert with Wailianfa include Shanghai Shengjin Investment Company Limited[#] (上海聖金投資有限公司), Shanghai Tailite Economic Development Company Limited[#] (上海泰利特經濟發展有限公司), Shandong Xinneng New Materials Limited[#] (山東信能新材料有限公司), Zhongqilian Holding Group Limited[#] (中企聯控股有限公司), Shanghai Junjue Investment Centre (Limited Partnership)[#] (上海君爵投資中心(有限合夥)), United Talents Development Limited (collectively, the “**Concert Parties**”) and the Nominee Subscriber. On the other hand, the persons acting in concert with the Nominee Subscriber include Wailianfa and the Concert Parties. In respect of Shandong Xinneng New Materials Limited[#] (山東信能新材料有限公司) and Zhongqilian Holding Group Limited[#] (中企聯控股有限公司), which will hold 46.51% and 23.56% of the registered capital of Wailianfa respectively upon completion of the Reorganisation, they are presumed to be acting in concert with Wailianfa under the Takeovers Code, however, Wailianfa reserves the right to rebut such presumption.

THE INDEPENDENT BOARD COMMITTEE AND THE SGM

The Independent Board Committee will be formed to advise the Independent Shareholders on the terms of the First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. None of the members of the Independent Board Committee will have any interest or involvement in the transactions contemplated under the First Subscription Agreement or the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the First Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. The Company will make another announcement upon the establishment of the Independent Board Committee and/or the appointment of the independent financial adviser.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Subscription Agreements and the transactions contemplated thereunder; (ii) the grant of the Specific Mandates; and (iii) the Whitewash Waiver. The voting in relation to the Subscription Agreements, the Specific Mandates and the Whitewash Waiver at the SGM will be conducted by way of a poll whereby Wailianfa, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with RightFirst Holdings Limited, the associate of the First Guarantor), the Second Subscriber and their respective associates and other Shareholders who are interested or involved in the First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are interested or involved in the Second Subscription and no Shareholders are required to abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Second Subscription Agreement and the Specific Mandate in respect of the Second Subscription Shares.

WHITEWASH WAIVER

As at the date of the First Subscription Agreement, Wailianfa, the Nominee Subscriber and parties acting in concert with each of them do not own or have control or direction over any Shares. Upon the First Completion, 11,500,000,000 First Subscription Shares will be issued to the Nominee Subscriber, being the nominee of Wailianfa at the direction of Wailianfa, as a result, the interests of the Nominee Subscriber in the voting rights of the Company will be approximately 67.64% (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares from the date of the First Subscription Agreement and up to the First Completion). Accordingly, the Nominee Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the issue of the First Subscription Shares will be made on behalf of the Nominee Subscriber and parties acting in concert with it. The First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. Wailianfa, the Nominee Subscriber and parties acting in concert with each of them, the Guarantors (together with RightFirst Holdings Limited, the associate of the First Guarantor), the Second Subscriber and their associates and any other Shareholders who are involved or interested in the First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution(s) approving the First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

PROFIT WARNING

The Company would like to draw the attention of Shareholders to the profit warning announcement of the Company dated 14 August 2014 in relation to the expected loss for the year ended 30 June 2014 (the “**Profit Warning**”). Pursuant to Rule 10 of the Takeovers Code, the Profit Warning will constitute profit forecasts which would be required by Rule 10.3(d) of the Takeovers Code to be reported on by financial advisers and auditors, and under Rule 10.4 of the Takeovers Code, their reports must be included in the next document sent to the Shareholders.

As the Company is currently finalizing the annual results for the year ended 30 June 2014 of the Company (the “**Annual Results**”) and is expected to publish the Annual Results on 12 September 2014 and if the Annual Results are included in the circular in relation to, among others, details of the Subscriptions, the Specific Mandates and the Whitewash Waiver, which is due to be despatched on or before 25 September 2014 (if not extended in accordance with the Takeovers Code), the Annual Results would fall under Rule 10.9 of the Takeovers Code and the reporting on requirement of the Profit Warning will no longer be required.

Shareholders and potential investors should note that the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus they are advised to exercise caution in placing reliance on the Profit Warning (i) in assessing the merits and demerits of the Subscriptions, the Specific Mandates and the Whitewash Waiver; and (ii) in respect of dealing in the securities of the Company.

GENERAL

A circular containing, among other things, details of the Subscriptions, the Specific Mandates and the Whitewash Waiver, together with the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver, and the notice of SGM is expected to be despatched by the Company to the Shareholders within 21 days from the date of this announcement and in compliance with Rule 8.2 of the Takeovers Code.

The Subscriptions are subject to the satisfaction (or, if applicable, waiver) of a number of conditions, including but not limited to the First Completion is subject to the completion of the Reorganisation, as set out in this announcement and, accordingly, the Subscriptions may or may not proceed and are possibilities only. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

TRADING HALT AND RESUMPTION OF TRADING

Trading of the Shares was halted with effect from 9:00 a.m. on 14 July 2014 pending the release of this announcement. Trading of the Shares will resume at 9:00 a.m. on 5 September 2014.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

| | |
|---------------------|--|
| “acting in concert” | has the meaning ascribed to it in the Takeovers Code |
| “associates” | has the meaning ascribed to this term under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours |
| “CB” | the convertible bond due on 26 December 2015 in an aggregate principal amount of HK\$280,000,000 issued by the Company on 27 December 2012 to the holder thereof entitling the holder of the CB to convert into 560,000,000 Shares at the conversion price of HK\$0.5 per Shares upon exercise of the conversion right attached to the CB and as at the date of this announcement, the CB is wholly and legally held by Grand Nation Global Limited (民泰環球有限公司) a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of the CB Holder is owned by Huarong (HK) International Holdings Limited, a company incorporated in Hong Kong with limited liability on 2 January 2013 |

| | |
|--------------------------|---|
| “Company” | China Financial International Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange, stock code: 0721 |
| “Concert Parties” | has the meaning ascribed to it in the paragraph headed “Information required under the Takeovers Code” in this announcement |
| “connected persons” | has the meaning ascribed to it in the Listing Rules and “connected” shall be construed accordingly |
| “Cooperative Agreements” | 23 joint venture agreements and/or acquisition agreement previously entered into by the Group in respect of its investment in small loan companies in the PRC and have not yet completed as at the date of the First Subscription Agreement |
| “Directors” | the directors of the Company |
| “Disposals” | the disposals of the Unlisted Company Investments, Listed Company Investments, the termination of the Cooperative Agreements and the collection of the Other Receivables by the Company pursuant to the First Subscription Agreement |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “First Completion” | completion of the First Subscription Agreement in accordance with the terms therein |
| “First Guarantor” | Du Lin Dong, an executive Director, chief executive officer of the Company and a substantial Shareholder, one of the guarantors to the First Subscription Agreement |
| “First Subscription” | the subscription for the First Subscription Shares by the Nominee Subscriber at the nomination of Wailianfa pursuant to the First Subscription Agreement |

| | |
|--------------------------------|---|
| “First Subscription Agreement” | the subscription agreement dated 4 September 2014 and entered into between the Company, Wailianfa and the Guarantors in respect of the First Subscription |
| “First Subscription Price” | the subscription price of HK\$0.20 per First Subscription Share |
| “First Subscription Shares” | the 11,500,000,000 new Shares to be subscribed by the Nominee Subscriber at the nomination of Wailianfa and to be allotted and issued pursuant to the First Subscription Agreement |
| “Group” | the Company and its subsidiaries |
| “Guarantors” | together, the First Guarantor and the Second Guarantor |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent committee of the Board to be established which comprises all the non-executive Directors and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who will have no direct or indirect interest in the First Subscription Agreement or the Whitewash Waiver |
| “Independent Shareholders” | the Shareholders, other than (i) Wailianfa together with parties acting in concert with it; (ii) the Nominee Subscriber together with parties acting in concert with it; (iii) the Guarantors and their associates; (iv) the Second Subscriber and its associates; (v) those who are involved in or interested in the First Subscription Agreement or the Whitewash Waiver; and (vi) those who are required to abstain from voting in the SGM to consider and approve the First Subscription under the Listing Rules and the Takeovers Code |
| “Independent Third Party(ies)” | Person(s) and their respective associates or, in the case of companies, their ultimate beneficial owner(s) and their respective associates, who are independent of and not connected with the Company and its subsidiaries and their respective connected persons |
| “Last Trading Day” | 11 July 2014, being the last trading day of the Shares prior to the date of the Subscription Agreements |

| | |
|-----------------------------------|---|
| “Listed Company Investments” | the investments of the Company in two companies whose shares are listed and traded on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 20 December 2014 or such later date as the parties to the First Subscription Agreement may agree |
| “Nominee Subscriber” | United Talents Holdings Limited (聯傑控股有限公司), a company incorporated in the British Virgin Islands. Further details of the Nominee Subscriber are set out in the paragraph headed “The Subscriptions – (A) The First Subscription Agreement – The Nominee Subscriber” in this announcement |
| “Other Receivables” | each of the account receivable of the Company which is more than HK\$1,000,000 and arising from the loan advancement made by the Company and/or the dividend receivable from its investment |
| “Outgoing Subscriber” | Xing Yue Investments Limited (興悅投資有限公司) a company incorporated in the British Virgin Islands with limited liability, a party to the Previous Subscription Agreement and a subscriber for 800,000,000 new Shares pursuant to the Previous Subscription Agreement |
| “PRC” | the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Previous Subscription Agreement” | the agreement dated 13 July 2014 and entered into between the Company, Wailianfa, the Second Subscriber, the Outgoing Subscriber, the First Guarantor and the Second Guarantor in relation to the subscriptions for 11,500,000,000 new Shares by Wailianfa, 880,000,000 new Shares by the Second Subscriber and 800,000,000 new Shares by the Outgoing Subscriber which was subsequently terminated by the Termination Agreement dated 4 September 2014 |

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| <p>“Reorganisation”</p> | <p>the increase in the registered capital of Wailianfa and capital injection to be made by (i) Shandong Xinneng New Materials Limited# (山東信能新材料有限公司), (ii) Zhongqilian Holding Group Limited# (中企聯控股集團有限公司), (iii) Shanxi Anze Investment Limited# (陝西安澤投資有限公司), (iv) Shanghai Guangtong Shenzhou Network Communication Development Limited# (上海光通神洲網路通信發展有限公司) and (v) Shanghai Zhifu Kechuang Investment Limited# (上海智富科創投資有限公司) to Wailianfa respectively, such that Wailianfa, upon completion of the Reorganisation, will be held by (i) Shandong Xinneng New Materials Limited# (山東信能新材料有限公司), (ii) Zhongqilian Holding Group Limited# (中企聯控股集團有限公司), (iii) Shanxi Anze Investment Limited# (陝西安澤投資有限公司), (iv) Shanghai Guangtong Shenzhou Network Communication Development Limited# (上海光通神洲網路通信發展有限公司), (v) Shanghai Zhifu Kechuang Investment Limited# (上海智富科創投資有限公司), (vi) Shanghai Shengjin Investment Company Limited# (上海聖金投資有限公司) and (vii) Shanghai Tailite Economic Development Company Limited # (上海泰利特經濟發展有限公司) as to 46.51%, 23.26%, 4.65%, 9.30%, 13.95%, 2.09% and 0.24%, respectively. Further details of the shareholding structure of Wailianfa after completion of the Reorganisation is set out in the paragraph headed “The Subscriptions – (A) The First Subscription Agreement” in this announcement</p> |
| <p>“Second Guarantor”</p> | <p>Wang Dehe, a non-executive Director and chairman of the Company, one of the guarantors to the First Subscription Agreement</p> |
| <p>“Second Subscriber”</p> | <p>Regal Prosper International Limited (誠興國際有限公司), a company incorporated in the British Virgin Islands with limited liability, a subscriber for the Second Subscription Shares</p> |
| <p>“Second Subscription”</p> | <p>the subscription for the Second Subscription Shares by the Second Subscriber pursuant to the Second Subscription Agreement</p> |

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| “Second Subscription Agreement” | the subscription agreement dated 4 September 2014 and entered into between the Company and the Second Subscriber in respect of the Second Subscription |
| “Second Subscription Price” | the subscription price of HK\$0.20 per Second Subscription Share |
| “Second Subscription Shares” | the 840,000,000 new Shares to be subscribed by the Second Subscriber and to be allotted and issued by the Company pursuant to the Second Subscription Agreement |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SGM” | the special general meeting of the Company to be held to approve, among other things, the Subscription Agreements, the Specific Mandates and the Whitewash Waiver |
| “Shareholders” | holders of the Shares |
| “Shares” | ordinary shares of HK\$0.01 each in the share capital of the Company |
| “Specific Mandate(s)” | the authority to be sought from the Shareholders (and/or Independent Shareholders, as the case may be) to authorize the Board to issue the Subscription Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Agreements” | collectively the First Subscription Agreement and the Second Subscription Agreement |
| “Subscription Shares” | collectively the First Subscription Shares and the Second Subscription Shares |
| “Subscriptions” | collectively, the First Subscription and the Second Subscription |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |

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| “Termination Agreement” | the terminated agreement dated 4 September 2014 and entered into between the Company, Wailianfa, the Second Subscriber, the Outgoing Subscriber, the First Guarantor and the Second Guarantor in relation to the termination of the Previous Subscription Agreement in its entirety |
| “Unlisted Company Investments” | <p>the investments of the Company in equity interest of the following five unlisted companies, which are small loan companies and guarantee company in the PRC, namely:</p> <ol style="list-style-type: none"> <li data-bbox="638 638 1410 755">(1) 30% equity interest in Jingdezhen CFI Guosen Microfinance Company Limited# (景德鎮市中金國信小額貸款有限責任公司); <li data-bbox="638 798 1410 915">(2) 30% equity interest in Ezhou Zhongjinguotou Microfinance Limited# (鄂州市中金國投小額貸款有限責任公司); <li data-bbox="638 957 1410 1117">(3) 30% equity interest in Nanchang Donghu Zhongjincaixin Microfinance Company Limited# (南昌市東湖區中金財信小額貸款股份有限公司); <li data-bbox="638 1159 1410 1276">(4) 30% equity interest in Ziyang Yanjiang CFI GuoSen Microfinance Company Limited# (資陽市雁江中金國信小額貸款股份有限公司); and <li data-bbox="638 1319 1410 1436">(5) 7.2% equity interest in Jiangxi Huazhang Hanchen Guarantee Group Limited# (江西華章漢辰擔保集團有限公司) |
| “Wailianfa” | Shanghai Wailianfa Industrial Development Limited# (上海外聯發實業發展有限公司), a company established in the PRC with limited liability, the party to the First Subscription Agreement who will nominate the Nominee Subscriber to subscribe for the First Subscription Shares |

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| “Whitewash Waiver” | a waiver from the obligation of the Nominee Subscriber to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by the Nominee Subscriber and the parties acting in concert with it as a result of the First Subscription in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent. |

the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By order of the Board
China Financial International Investments Limited
Wang Dehe
Chairman

Hong Kong, 4 September 2014

As at the date of this announcement, the executive Directors are Mr. Du Lin Dong and Mr. Pong Po Lam, the non-executive Directors are Mr. Wang Dehe, Mr. Sha Naiping and Mr. Ding Xiaobin and the independent non-executive Directors are Dr. Cheung Wai Bun Charles, Mr. Wan Hongchun and Mr. Zeng Xianggao.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.