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中國投資

CHINA INVESTMENT FUND COMPANY LIMITED

中國投資基金有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00612)

PLACING OF OPTIONS

Placing Agent



Baron Capital Limited

PLACING OF OPTIONS

The Board is pleased to announce that the Company entered into the Placing Agreement with the Placing Agent on 22 June 2010 pursuant to which the Company appointed the Placing Agent to procure, on a best effort basis, not less than six independent Placees to subscribe for up to 112,000,000 call options subject to the terms and conditions set out in the Placing Agreement.

The Placing Options shall be placed at a price of HK\$0.00625 per Placing Option. Upon exercise of each Placing Option, the Placee will be able to subscribe for one Subscription Share at an initial subscription price of HK\$0.125 (subject to adjustments). Upon full exercise of the subscription rights attaching to the Placing Options, a total of 112,000,000 new shares will be issued and allotted by the Company, representing (i) approximately 10.23% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.28% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares will be issued under the General Mandate.

The gross and net proceeds from the exercise of the Placing Options by the Placee(s) are estimated to be approximately HK\$14 million and approximately HK\$13.86 million respectively, resulting in the net Subscription Price of HK\$0.124 for each Subscription Share.

* For identification purpose only

THE PLACING AGREEMENT

Date: 22 June 2010

Parties: (a) The Company, as issuer; and
(b) Baron Capital, as the Placing Agent

The Company agrees to place the Placing Options and the Placing Agent agrees, as agent of the Company and on a best effort basis, to procure not less than six selected Placees to subscribe for (by itself or through its sub-placing agents) the Placing Options at the Option Price subject to the terms and conditions set out in the Placing Agreement. The Placing Agent shall procure each of the Placees for the Placing Option(s) to execute a separate Option Agreement with the Company and paid for the relevant Option Price and the Deposit. The Placees and their respective ultimate beneficial owners will be independent third parties not connected with the Company or any Connected Persons of the Company.

The Placing Agent will receive an aggregate placing commission of 1% on (i) the aggregate Subscription Price of the Subscription Shares successfully placed by the Placing Agent; and (ii) the aggregate Option Price of the Placing Options successfully placed by the Placing Agent, by itself or through its sub-placing agents, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, Mr. Wan Chuen Chung, Joseph, the ultimate beneficial owner of Baron Capital, is the brother of Mr. Wan Chuen Hing, Alexander, an executive Director and therefore a Connected Person of the Company. The entering into of the Placing Agreement therefore constitutes a connected transaction under the Listing Rules. Given the amount of the commission payable by the Company will fall within the de minimis provision of Rule 14A.31(2), the payment of commission made by the Company to the Placing Agent will be exempt from the reporting, announcement and independent Shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the Placing Agreement was entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Placee(s)

The Placees and their ultimate beneficial owners will not be Connected Persons of the Company or their respective associates. It is also expected that the Placing Options will be placed to not less than six Placee(s) which are professional, institutional or other investors. The Company currently anticipates that none of the Placee(s) will become a substantial shareholder of the Company upon completion of the full exercise of the subscription rights attaching to the Placing Options.

Number of Placing Options

A maximum of 112,000,000 Placing Options will be granted by the Company under the Placing. Upon full exercise of the subscription rights attaching to the Placing Options, a total of up to 112,000,000 new shares will be issued and allotted by the Company, representing (i) approximately 10.23% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.28% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of allotment and issue of Subscription Shares.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate.

Pursuant to the CIF Option Agreement, the Company has granted Mega Regent the CIF option to subscribe for up to a maximum of 100,000,000 new shares under General Mandate. As at the date of this announcement, 20,000,000 Shares has been issued and allotted under the CIF Option. Save as the CIF Option, the Company has no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange in new shares.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscription Shares, when aggregate with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issue share capital of the Company.

Option Price and Subscription Price

The Option Price is HK\$0.00625 per Placing Option.

The Subscription Price is HK\$0.125 per Subscription Share, which represents:

- (i) the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.46% to the average closing price of HK\$0.122 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- (iii) a premium of approximately 13.64% over the audited consolidated net asset value per Share of approximately HK\$0.11 as at 31 December 2009.

The aggregate of the Option Price and the Subscription Price represents:

- (i) a premium of approximately 5% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.58% the average closing price of HK\$0.122 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- (iv) a premium of approximately 19.32% over the audited consolidated net asset value per Share of approximately HK\$0.11 as at 31 December 2009.

The Option Price and the Subscription Price were arrived at after arm's length negotiations between the Company and the Placing Agent after taking into account the recent market prices of the Shares and low liquidity of the Shares. The Directors are of the view that the Option Price and the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE OPTION AGREEMENT

The Company will enter into a separate Option Agreement with each of the Placee(s) for the Placing Options and set out below is the details of the Placing Options.

Grant of the Placing Options

The Company shall grant the Placing Options to the Placee(s) in the consideration of HK\$0.00625 per Placing Option such that the Placee(s) shall be entitled to require the Company to allot and issue up to a maximum of 112,000,000 new shares at the Subscription Price on the basis that each Placing Option will give the Placee the right to subscribe for one Subscription Share subject to the terms set out in the Option Agreement.

The Placing Options can be exercised in whole or in part by the Placee(s) in relation to all (or part of) the Subscription Shares provided that the Subscription Shares subject to the Call Notice shall be 2,000,000 Shares or an integral multiple thereof provided that where the Subscription Shares subject to the Placing Options is less than 2,000,000 Shares, the Call Notice shall relate to the entire number of such Subscription Shares.

Option Period

24 months commencing from the date of granting the Placing Option(s).

The Deposit

A sum representing 5% of the aggregate Subscription Price of the Subscription Shares shall be paid to the Company by the Placee(s) upon signing of the Option Agreement(s) as deposit and part payment of the Subscription Price for the Subscription Shares.

The Deposit shall be applied by the Company to set off against the Subscription Price payable by the Placee for the relevant Subscription Shares subject to the Call Notice on a pro-rata basis until the Deposit has been fully set off against the Subscription Price. The Company shall be entitled to forfeit such part of the Deposit which has not been applied to set off against the Subscription Price after the Option Period.

Adjustments in relation to the Placing Options

The Subscription Price is subject to certain adjustments as a result of the reorganisation of the share capital of the Company or any change in the share capital of the Company. The Company shall appoint auditors or an independent financial adviser of the Company to determine (acting as expert) as soon as practicable what adjustment (if any) to the Subscription Price is fair and reasonable to take account thereof, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination. The minimum Subscription Price for each Subscription Share after such adjustment should not be less than HK\$0.01, being the nominal value of the Shares.

Transferability of the Placing Options

Upon the granting of the Placing Option(s) by the Company to the Placee(s), the Placee(s) has/have the rights to transfer or assign all or part of the Placing Option(s) to any company or person independent of the Company or the Connected Persons of the Company.

CONDITIONS PRECEDENT

The Placing is conditional upon the fulfillment of the following conditions precedent on or before the Long Stop Date:

- (a) the Listing Committee having granted the listing of and permission to deal with the Subscription Shares to be issued upon the exercise of the subscription rights attaching to the Placing Options; and
- (b) the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Placing Agreement.

The relevant parties shall use their reasonable endeavors to ensure that the conditions precedent (a) and (b) are fulfilled as early as practicable, both in any event on or before the Long Stop Date or such other date as the parties may agree.

If any of the above conditions are not fulfilled on or before the Long Stop Date or such other date as the parties may agree, the Placing Agreement will lapse and become null and void and the parties shall be released from all rights and obligations thereunder (save for the liabilities for any antecedent breaches thereof).

COMPLETION

Subject to fulfillment of the conditions precedent as detailed above, Completion shall take place on the second Business Day or such other date to be agreed by the Company and the Subscriber and each party shall perform its respective obligations.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement, upon full exercise of the Placing Options only and upon full exercise of the CIF Option and the Placing Options is as follows:

	As at the date of this announcement		Upon full exercise of the Placing Options only		Upon full exercise of the CIF Option and the Placing Options	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Wan Ho Yan, Letty (Note 1)	230,280,511	21.03	230,280,511	19.08	230,280,511	17.89
Cosmopolitan International Holdings Limited (Note 2)	155,728,000	14.22	155,728,000	12.90	155,728,000	12.10
<i>Subtotal</i>	<u>386,008,511</u>	<u>35.25</u>	<u>386,008,511</u>	<u>31.98</u>	<u>386,008,511</u>	<u>29.99</u>
Public Shareholders						
Cheng Hew Hong, Rebecca (Note 3)	14,900,000	1.36	14,900,000	1.23	94,900,000	7.37
The Placee(s)	—	—	112,000,000	9.28	112,000,000	8.70
Other public Shareholders	694,291,489	63.39	694,291,489	57.51	694,291,489	53.94
<i>Subtotal</i>	<u>709,191,489</u>	<u>64.75</u>	<u>821,191,489</u>	<u>68.02</u>	<u>901,191,489</u>	<u>70.01</u>
Total	<u>1,095,200,000</u>	<u>100.00</u>	<u>1,207,200,000</u>	<u>100.00</u>	<u>1,287,200,000</u>	<u>100.00</u>

Notes:

1. Ms. Wan Ho Yan, Letty (“Ms. Wan”) is deemed to be interested in 230,280,511 Shares held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which were wholly owned by Ms. Wan.
2. Cosmopolitan International Holdings Limited (“Cosmo”) is deemed to be interest in 155,728,000 Shares held by Joint Talent Investments Limited which is ultimately wholly owned by Cosmo. Cosmo is a company whose issued shares are listed on the main board of the Stock Exchange.
3. Apart from a direct holding of 14,900,000 Shares, Ms. Cheng Hew Hong, Rebecca (“Ms. Cheng”) is deemed to be interested in 80,000,000 Shares through the CIF Option held by Mega Regent which is wholly owned by Ms. Cheng.

REASONS FOR ENTERING INTO THE PLACING AGREEMENT

As the Company is principally engaged in investment in both listed and unlisted securities, the Company intends to apply the net proceeds for future investments that have good earnings and growth potentials and are within the acceptance risk profile of the Company.

The gross and net proceeds from the exercise of the Placing Options by the Placee(s) are estimated to be approximately HK\$14 million and approximately HK\$13.86 million respectively, resulting in the net Subscription Price of HK\$0.124 for each Subscription Share. The Company intends to apply the net proceeds for future investments which offer reasonable returns and within the acceptable risk profile of the Company. As at the date of this announcement, the Company had not identified any specific investment targets.

The Directors consider that, given the consideration under the Option Agreement and the Deposit had been paid to the Company upfront, the grant of the Placing Options provides a good opportunity for the Company to raise additional capital for the Company upon the exercise of the Placing Options. In addition, the grant of the Placing Options may not have an immediate dilution effect on the shareholding of the existing Shareholders as compared to issue of Shares. Taking into account the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, a premium over the audited consolidated net asset value per Share as at 31 December 2009, and the time value of the Placing Option, the Directors are of the view that the terms of the Option Agreement, which were arrived at after arm’s length negotiations between the Company and the Subscriber, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST TWELVE MONTHS

The following table depicts the fund raising activities of the Company during the past twelve months immediately before the date of this announcement:

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
12 May 2009	Grant of CIF Option	HK\$10.5 million (upon full exercise of the CIF Option)	Future investments which offer reasonable returns and within the acceptable risk profile	The net proceeds has not been utilized and will be used as intended

Save as disclosed above, the Company had not conducted any fund raising activities during the past twelve months immediately prior to the date of this announcement.

ADJUSTMENT TO THE CIF OPTION

Pursuant to the terms of the CIF Option Agreement, an adjustment may be required to be made to the subscription price of the CIF Option as a result of the Placing Options. In accordance with the terms of the CIF Option Agreement, the Company will appoint an independent financial adviser or a firm of auditors (acting as experts) to determine as soon as practicable what adjustment to the subscription price under the CIF Option is required. Further details on the adjustment to the subscription price under the CIF Option will be announced as and when appropriate.

GENERAL

Application will be made to the Listing Committee for the listing of, and permission to deal with, the Subscription Shares to be issued upon exercise of the Placing Options. The Placing Options will not be listed on the Stock Exchange.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baron Capital” or “Placing Agent”	Baron Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Board”	board of Directors (including independent non-executive Directors)
“Business Day(s)”	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“Call Notice(s)”	the notice(s) to be served by the Placee(s) for the exercise of the Placing Option(s) during the Option Period
“CIF Option”	the call option granted by the Company to Mega Regent, for the allotment and issue of up to a maximum of 100,000,000 new shares at HK\$0.106 per Share
“CIF Option Agreement”	the option agreement dated 12 May 2009 entered into between the Company and Mega Regent in relation to the grant of the CIF Option by the Company to Mega Regent
“Company”	China Investment Fund Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange

“Completion”	completion of the grant of the Placing Options pursuant to the terms and conditions in the Placing Agreement
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deposit”	5% of the aggregate Subscription Price of the Subscription Shares to be paid by each Placee upon signing of the Option Agreement
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to a resolution passed at the annual general meeting of the Company held on 24 April 2009 to allot, issue and deal with up to 215,040,000 new Share, representing 20% of the issued share capital of the Company then existing.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	21 June 2010, being the last trading day prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2010 (or such other date as the parties hereto may agree)
“Mega Regent”	Mega Regent Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Option Agreement(s)”	a separate option agreement(s) to be entered into between the Company and the Placee(s), pursuant to which the Company agrees to grant to Placee(s) the Placing Option(s) which entitle the Placee(s) to subscribe for the Subscription Share(s) at the Subscription Price under the terms and conditions of the Option Agreement(s)
“Option Period”	the period of 24 months commencing from the date of granting the Placing Option(s)
“Option Price”	the price for the issue of each Placing Option, being HK\$0.00625 each
“Placee(s)”	each independent individual, institutional or other professional investor or any of their respective subsidiaries or associates procured by the Placing Agent (by itself or through its sub-placing agents) to subscribe for the Placing Options subject to the terms and conditions of the Placing Agreement
“Placing”	the placing of the Placing Options at the Option Price pursuant to the Placing Agreement

“Placing Agreement”	an agreement entered into between the Company and Baron Capital dated 22 June 2010 in relation to the Placing
“Placing Option(s)”	up to 112,000,000 call option(s) to be granted by the Company to the Placees for the allotment and issue of the Subscription Shares pursuant to the Option Agreement(s)
“Share(s)”	share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.125 per Share (subject to adjustments) at which the Placees may subscribe for the Subscription Shares upon exercise of the subscription rights attaching to the Placing Options
“Subscription Share(s)”	up to 112,000,000 new shares to be allotted and issued upon exercise of the subscription rights attaching to the Placing Option(s) pursuant to the Option Agreement(s)
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

By order of the Board
China Investment Fund Company Limited
William Robert Majcher
Executive Director

Hong Kong, 22 June 2010

As at the date of this announcement, the executive Directors are Mr. William Robert Majcher and Mr. Wan Chuen Hing; and the independent non-executive Directors are Mr. Yan Mou Keung, Ronald, Mr. Cheng Wing Keung, Raymond and Mr. Yeung Chun Yue, David.