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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: <http://www.290.com.hk>

ISSUE OF CONVERTIBLE BONDS

On 6 May 2009 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issuance of the Convertible Bonds in the principal amount of HK\$32 million due three years from the date of issue at an exercise price of HK\$0.16 per Conversion Share. Completion of the Subscription Agreement is subject to the conditions as set out in the paragraph headed “Conditions precedent” below. Detailed terms of the Convertible Bonds are set out in the paragraph headed “Principal terms of the Convertible Bonds”. The net proceeds from the Convertible Bonds of approximately HK\$32 million will be used for financing possible future investments of the Group and/or the general working capital of the Group.

As at the date hereof, the Subscriber, a wholly-owned subsidiary of PME Group Limited, the shares of which are listed on the main board of the Stock Exchange, is beneficially interested in 53,738,000 Shares (representing approximately 7.11% of the issued share capital of the Company) and owns as to 115,000,000 zero coupon convertible bonds in principal amount of HK\$11,500,000 due in 2012.

On 6 May 2009 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issuance of the Convertible Bonds in the principal amount of HK\$32 million due three years from the date of issue at an exercise price of HK\$0.16 per Conversion Share. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below.

SUBSCRIPTION AGREEMENT

1) Parties and Date

Date: 6 May 2009 (after trading hours)

Issuers: the Company

Subscriber: the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is not a connected person under the Listing Rules. The Subscriber is a company incorporated in Hong Kong and is principally engaged in investment holdings. It is a wholly-owned subsidiary of PME Group Limited, the shares of which are listed on the main board of the Stock Exchange.

The Subscriber is beneficially interested in 53,738,000 Shares (representing approximately 7.11% of the issued share capital of the Company) and owns as to 115,000,000 zero coupon convertible bonds in principal amount of HK\$11,500,000 due in 2012.

2) Principal terms of the Convertible Bonds

Principal amount: HK\$32,000,000

Issue price: 100% of the principal amount of the Convertible Bonds

Interest rate: 0%

Maturity: The date falling on the third anniversary of the date of issue of the Convertible Bonds

Status and Transfer: (a) The obligations of the Company arising under the Convertible Bonds constitute general, unconditional, unsecured and unsubordinated obligations of the Company, and rank and shall rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. No application shall be made for a listing of the Convertible Bond in any jurisdiction.

(b) Save with the prior written consent of the Company and prior written notice in relation to such transfer or assignment has been given to the Company, no assignment or transfer of the Convertible Bonds may be made. The Convertible Bond may only be transferred, if and only if, the transfer is made in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations and the provisions as set out in the Subscription Agreement. In the event of a transfer to a connected person (as defined in the Listing Rules) of the Company, prior approval from the Company and the Stock Exchange should be obtained.

- (c) Any assignment or transfer of the Convertible Bond shall be in respect of the whole or any part (in multiples of HK\$500,000) of the outstanding principal amount of the Convertible Bond. Title to the Convertible Bond passes only upon the cancellation of the existing certificate and the issue of a new certificate in accordance with conditions set out in the Subscription Agreement. The Convertible Bond Holder will (except as otherwise required by law) be treated as the absolute owner of the Convertible Bond for all purposes (whether or not overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the certificates issued in respect of them) and no person will be liable for so treating the Convertible Bond Holder.

- (d) The Convertible Bond may be transferred by delivery to the Company of a duly executed transfer form together with the certificate(s) for the Convertible Bonds being transferred. The Company shall, within five (5) Business Days of receipt of such documents from the Convertible Bond Holder, cancel the existing Convertible Bond, issue a new Convertible Bond and certificate in respect thereof under the seal of the Company in favour of the transferee or assignee as applicable and (if applicable) endorse the certificate of the transferor with the amount of the Convertible Bond so transferred.

- (e) Any legal and other costs and expenses which may be incurred by the Company in connection with any transfer or assignment of the Convertible Bond or any request thereof shall be borne by the transferee alone.

- (f) The Company shall maintain and give a full and complete register of the Convertible Bond Holder, the conversion, cancellation and destruction of the Convertible Bond, replacement Convertible Bond issued in substitution for any defaced, lost, stolen or destroyed Convertible Bond and of details and addresses of the Convertible Bond Holder from time to time. The Company shall make available such register to the Convertible Bond Holder for inspection at all reasonable times and will permit the Convertible Bond Holder to copy the same.

Payments:

- (a) All payments by the Company hereunder shall be made in immediately available funds free and clear of any withholdings or deductions for any present or future taxes, imposts, levies, duties or other charges payable by the Company. In the event that the Company is required by law to make any such deduction or withholding from any amount paid, the Company shall pay to Convertible Bond Holder such additional amount as shall be necessary so that the Convertible Bond Holder continues to receive a net amount equal to the full amount which it would have received if such withholding or deduction had not been made.
- (b) All payments by the Company hereunder shall be made, not later than 11:00 a.m. (Hong Kong time) on the due date, by remittance to such bank account in Hong Kong as the Convertible Bond Holder may notify the Company from time to time.
- (c) If the due date for payment of any amount in respect of the Convertible Bond is not a Business Day, the Convertible Bond Holder shall be entitled to payment on the next following Business Day in the same manner.

- (d) The Company shall not be obliged to make any payment on the redemption of the outstanding principal amount of the Convertible Bond until it has received the certificate for the Convertible Bond.

Redemption:

Unless previously converted, upon presentation the original certificate of the Convertible Bond on its maturity date to the Company at its address specified in the Subscription Agreement, the Convertible Bond shall be redeemed by the Company at its principal amount outstanding.

Conversion:

- (a) the Convertible Bond can be converted from time-to-time after its issuance and prior to the expiry of its maturity date in strict accordance with the terms of the Convertible Bonds.
- (b) No fraction of a Share shall be issued on conversion of the Convertible Bond. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit. Shares issued upon conversion shall rank *pari passu* in all respects with all other existing Shares outstanding as at the exercise date and be entitled to all dividends and other distributions, the record date of which falls on a date on or after the date of the conversion notice.
- (c) The Convertible Bond Holder shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

- (d) the Convertible Bond Holder shall not convert the Convertible Bond and the Company shall not issue any Conversion Shares if, upon such issue, the Convertible Bond Holder and the parties acting in concert with it, shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion. No Conversion Shares will be allotted and issued in respect of any breach of the provisions under this condition.

Events of default:

If any of the following events (“Events of Default”) occurs, the Convertible Bond Holder may give notice to the Company that the Convertible Bond, on the giving of such notice, are immediately due and payable at its principal amount then outstanding:–

- (a) the listing of the Shares (as a class) on the Stock Exchange:–
 - (i) ceases; or
 - (ii) is suspended for a continuous period of twenty one (21) Business Days, on each of which the Stock Exchange is generally open for trading, due to the default of the Company or any of its directors;
- (b) the Company defaults in performance or compliance with any of its obligations contained in the conditions, which breach or default is incapable of remedy or, if capable of remedy, is not remedied within fourteen (14) Business Days after notice of such breach or default is sent from the Convertible Bond Holder to the Company;

- (c) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its subsidiaries;
- (d) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors;
- (e) an order is made or an effective resolution passed for winding-up of the Company or any of its material subsidiaries;
- (f) the Company defaults in the payment of the principal in respect of the Convertible Bond when and as the same ought to be paid and such default is not remedied by the Company within seven (7) Business Days of the due date thereof;
- (g) any other debentures, bonds, notes, Convertible Bond or other instruments of indebtedness or any other loan indebtedness (“Indebtedness”) of the Company or any securities convertible into or exchangeable for shares (“Equity Linked Securities”) of the Company become prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or the Company or any of its subsidiaries defaults in the repayment of the Indebtedness or Equity Linked Securities at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any Indebtedness or Equity Linked Securities of others given by the Company or any of its material subsidiaries shall not be honored when due and called upon;

provided that notwithstanding the foregoing, if the Company shall fail to issue the Conversion Shares in accordance with the conditions, any Convertible Bond Holder shall be entitled to bring an action against the Company for either specific performance or damages. The Company shall forthwith on becoming aware of any such event as is mentioned in this condition give notice in writing thereof to the Convertible Bond Holder. At any time after the principal amount of the Convertible Bond has become payable, any of the Convertible Bond Holder may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

Voting: The Convertible Bond Holder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Convertible Bond Holder.

Based on the conversion price of HK\$0.16 per Conversion Share, a maximum number of 200 million Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 26.45% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 20.92% of the issued share capital of the Company to be enlarged by the allotment and issue of the Convertible Shares.

The Convertible Shares shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares. There will not be any restrictions for the subsequent sale of the Conversion Shares by the Subscriber.

The Conversion Price of the Convertible Bonds (i) represent a discount of approximately 44.83% of the Last Trading Day; (ii) represent a discount of approximately 43.86% of the last five consecutive trading days; and (iii) represent a premium of approximately 0.63% over the Adjusted NAV per Share of approximately HK\$0.159.

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

3) Conditions precedent

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) The Company, the Subscriber and PME Group Limited (if required) approving, by their respective shareholders in an extraordinary general meeting held for the purpose, to enter into the Subscription Agreement;
- (b) The Subscriber completes and is satisfied in its absolute discretion with the result of the due diligence to be conducted on the Company;
- (c) Each of the warranties remaining true and accurate in all material respects up to Completion;
- (d) The performance and observance by the Company of all the undertakings and covenants on the part of the Company contained in the Subscription Agreement; and
- (e) The Listing Committee of the Stock Exchange shall have granted the listing of and permission to deal in the Conversion Shares.

The Subscriber shall have the discretion to waive all or any part of the conditions set out above except conditions (a) and (e) and any waiver so granted may be subject to such conditions as the Subscriber may deem fit.

If the conditions set out above shall not have been fulfilled or waived by 5:00 p.m. (Hong Kong time) on the day falling 90 days of the date of execution of the Subscription Agreement (or such later date as the parties may agree in writing), the Subscription Agreement shall automatically terminate and none of the parties to the Subscription Agreement shall have any claim of any nature or liabilities hereunder whatsoever against any of the other parties under the Subscription Agreement (save for any antecedent breaches of the terms hereof).

4) Completion

Completion shall take place in Hong Kong on the day immediately after which the conditions precedent set out in the Subscription Agreement are fulfilled and/or waived.

5) Subscription

The subscription price of HK\$32,000,000 (the “Subscription Price”) for the Convertible Bonds shall be satisfied by the Subscriber in the following manner:

- a) an initial refundable payment in the sum of HK\$16,000,000 in cash which shall be paid by the Subscriber to the Company upon the execution of the Subscription Agreement (the “Initial Payment”); and
- b) the remaining balance of the Subscription Price shall be satisfied forthwith in cash by the Subscriber upon Completion.

REASON FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Directors consider that the raising of funds by the issuance of the Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for possible future investments of the Group. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The conversion price was agreed upon based on the recent closing prices of the Shares as quoted on the Stock Exchange. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement, which were arrived at after arm’s length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The net proceeds from the issue of the Convertible Bonds of approximately HK\$32 million will be used for financing possible future investments of the Group and/or the general working capital of the Group. As at the date of this announcement, except for the proposed acquisition of not less than 40% of the issued share capital of a company established in the PRC engaged in the broking service for dealing in futures contracts in the PRC (the “Proposed Acquisition”), the Board has not identified any future investments which will require the Group to apply any of the net proceeds from this issue, and therefore all the net proceeds will be currently used for the Proposed Acquisition and as general working capital of the Group.

SHAREHOLDING STRUCTURE

| Shareholders | As at the date of this announcement | | Upon full conversion of all Convertible Bonds | | Upon full conversion of Convertible Bonds, all other outstanding convertible bonds, full exercise of outstanding warrants and options | |
|---|--|---------------|--|---------------|--|---------------|
| | Shares | % | Shares | % | Shares | % |
| Good Treasure Holdings Limited (<i>Note 1</i>) | 108,000,000 | 14.29 | 108,000,000 | 11.30 | N/A | N/A |
| The Subscriber (<i>Note 2</i>) | 53,738,000 | 7.11 | 253,738,000 | 26.54 | 368,738,000 | 18.20 |
| Lao Chio Kuan | 200,000,000 | 26.45 | 200,000,000 | 20.92 | 200,000,000 | 9.87 |
| Ample Wealth Group Limited (<i>Note 4</i>) | – | – | – | – | 365,000,000 | 18.02 |
| Public Shareholders: | | | | | | |
| – Existing public Shareholders | 394,332,000 | 52.15 | 394,332,000 | 41.24 | 394,332,000 | 19.47 |
| – Holders of other convertible bonds due in 2012 | – | – | – | – | 385,000,000 | 19.01 |
| – Holders of outstanding options | – | – | – | – | 11,400,000 | 0.56 |
| – Holders of outstanding warrants | – | – | – | – | 12,000,000 | 0.59 |
| – Pioneer (China) Limited (<i>Note 3</i>) | – | – | – | – | 181,250,000 | 8.95 |
| – Good Treasure Holdings Limited (<i>Note 1</i>) | N/A | N/A | N/A | N/A | 108,000,000 | 5.33 |
| Total | 756,070,000 | 100.00 | 956,070,000 | 100.00 | 2,025,720,000 | 100.00 |

Notes:

- Good Treasure Holdings Limited is a company incorporated in the British Virgin Islands and whose entire equity is beneficially wholly-owned by Mr. Li Chun Sing, Andrew.
- As at the date hereof, the Subscriber is beneficiary interested in 53,738,000 Shares of the Company (representing approximately 7.11% of the issued share capital of the Company) and owns as to 115,000,000 zero coupon convertible bonds in principal amount of HK\$11,500,000 due in 2012.
- Pioneer (China) Limited is owned as to approximately 50.92% by Mr. Lao Chio Kuan. As mentioned in the announcement of the Company dated 16 March 2009, a wholly-owned subsidiary of the Company, as the purchaser, entered into two conditional sale and purchase agreements on 6 March 2009 for the proposed acquisitions of the then remaining 49% interests in each of Excalibur Securities Limited and Excalibur Futures Limited respectively. The considerations are to be settled by way of issuing zero coupon convertible bonds in principal amount of HK\$19.2 million and HK\$9.8 million respectively at an exercise price of HK\$0.16 each. Hence, an aggregate of 181,250,000 Shares (representing 120,000,000 Shares and 61,250,000 Shares respectively) will be issued upon completion of the aforesaid proposed acquisitions.
- Pursuant to a conditional sale and purchase agreement dated 6 March 2009, a wholly-owned subsidiary of the Company, as the purchaser, entered into a conditional sale and purchase agreement on 6 March 2009 for the proposed acquisition of the entire issued share capital in Wealthy Aim Group Limited. The consideration is to be settled by way of issuing zero coupon convertible bonds in principal amount of HK\$58.4 million (subject to adjustment) at an exercise price of HK\$0.16 each. Hence, 365,000,000 Shares will be issued upon completion of the acquisition of Wealth Aim Group Limited.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following are the fund raising activities of the Company during the past twelve months from the date of this announcement:

| Date of announcement | Event | Estimated net proceeds | Intended use of proceeds | Actual use of proceeds as at the date of this announcement |
|-----------------------------|---|-------------------------------|---|---|
| 30 May 2008 | Placing 500,000,000 Convertible Bonds | HK\$48,000,000 | Repayment of outstanding indebtedness, expansion of margin financing business and general working capital | As intended |
| 24 September 2008 | Placing 80,000,000 new Shares under general mandate | HK\$19,300,000 | Expansion of margin financing business | HK\$10,000,000 used as intended |

LISTING RULES IMPLICATION

As at the date of this announcement, as the Company did not have a general mandate to issue and allot Shares, the issue of the Conversion Shares upon the conversion of the Convertible Bonds will be made under a specific mandate. The specific mandate for the issue of the Conversion Shares upon the conversion of the Convertible Bonds will be subject to the approval of the Shareholders at the EGM.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, except for the Subscriber who holds 53,738,000 Shares of the Company and 115,000,000 zero coupon convertible bonds in principal amount of HK\$11,500,000 due in 2012, none of the Independent Shareholders have any material interest in the Subscription Agreement. There are no arrangements or proposals to use any proceeds from the issue of the Convertible Bonds for repayment of any amounts due to the existing Shareholders (currently no creditor of the Group is a Shareholder). Accordingly, except for the Subscriber, no Shareholder is required to abstain from voting at the EGM to be convened to approve the Subscription Agreement and the transactions contemplated thereunder.

The Directors, including the independent non-executive Directors, believe the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, inter alia, further information on the Subscription Agreement will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

| | |
|------------------------------|--|
| “Adjusted NAV” | the unaudited consolidated net asset value of the Company as at 30 September 2008 with adjustments from (a) the acquisition of 51% of Excalibur Securities Limited; (b) the acquisition of 51% of Excalibur Futures Limited; (c) the issue of 80 million new Shares at the issue price of HK\$0.25 per Share; (d) the issue of HK\$50 million zero interest convertible notes due in 2012, all of which were completed in February 2009 and subsequent to the date of the interim accounts of the Group for the six months ended 30 September 2008 |
| “associates” | has the meaning ascribed thereto in the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | 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 |
| “Convertible Bond Holder(s)” | means the person who is for the time being the holder of the Convertible Bonds |

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|----------------------------|---|
| “Company” | China Fortune Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the Subscription Agreement in accordance with its terms and conditions |
| “connected person” | has the meaning ascribed thereto in the Listing Rules |
| “Conversion Shares” | the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds |
| “Convertible Bonds” | the zero coupon convertible bonds in principal amount of HK\$32 million due three years from the date of issue to be issued by the Company to the Subscriber pursuant to the Subscription Agreement |
| “Conversion Price” | HK\$0.16 per Share |
| “Directors” | the directors of the Company |
| “EGM” | an extraordinary general meeting of the Company to be convened and, if thought fit, approve the issue of the Convertible Bonds and the Convertible Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC; |
| “Independent Shareholders” | Shareholders other than the Subscriber |

| | |
|--------------------------------|--|
| “Independent Third Party(ies)” | third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company and are not connected persons (as defined under the Listing Rules) of the Company |
| “Last Trading Day” | 5 May 2009, being the last trading day before the date of this announcement |
| “Listing Committee” | the listing committee of the Stock Exchange for considering applications for listing and the granting of listing |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Share(s)” | share(s) of HK\$0.10 each in the capital of the Company; |
| “Shareholder(s)” | holder(s) of the Shares; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” | Top Good Holdings Limited, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by PME Group Limited, a company whose shares are listed on the main board of the Stock Exchange |
| “Subscription” | the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement |

| | |
|--------------------------|---|
| “Subscription Agreement” | the subscription agreement dated 6 May 2009 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds in the principal amount of HK\$32 million due three years from the date of issue at an exercise price of HK\$0.16 per Conversion Share |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

By Order of the Board of Directors of
China Fortune Group Limited
Ng Cheuk Fan, Keith
Managing Director

Hong Kong, 6 May 2009

As at the date of this announcement, the Board consists of three Executive Directors, namely Mr. Sun Tak Yan, Desmond (Chairman), Mr. Ng Cheuk Fan, Keith (Managing Director) and Mr. Yeung Kwok Leung; and three Independent Non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Ng Kay Kwok and Mr. Lam Ka Wai, Graham.