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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in China Fortune Group Limited (the “Company”), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares in the Company.



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

ISSUANCE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held on 3 July 2009 at 11:30 a.m. at 13/F, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong is set out on pages 20 to 22 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

12 June 2009

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DEFINITIONS

Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:

“Adjusted Attributable NAV”	the unaudited consolidated attributable net assets value of the Company as at 30 September 2008 with adjustments from (a) the acquisition of 51% of Excalibur Securities Limited; (b) the acquisition 51% of Excalibur Futures Limited; (c) the issuance of 80 million new Shares at the issue price of HK\$0.25 per Share; (d) the issuance of HK\$50 million zero interest convertible notes due in 2012; and (e) the full conversion of convertible bonds by Mr. Lao Chio Kuan, 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
“associate”	has the meaning ascribed thereto under 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
“CB Subscription Completion”	Completion of the Subscription Agreement in accordance with its terms and conditions
“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
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.16 per Share
“Conversion Shares”	The Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds and Optional Bonds

DEFINITIONS

“Convertible Bonds Holder(s)”	means the person who is for the time being the holder(s) of the Convertible Bonds
“Convertible Bonds”	The zero coupon convertible bonds in the principal amount of HK\$128 million due on 31 December 2012 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held on 3 July 2009 to approve the issuance of the Convertible Bonds, Optional Bonds and Convertible Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds and Optional 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 its connected persons (as defined under the Listing Rules) and whom are not themselves connected persons (as defined under the Listing Rules) of the Company
“Latest Practicable Date”	5 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Option”	the option granted to the Subscriber to further exercise the Optional Bond(s) convertible into a maximum of 800 million Shares

DEFINITIONS

“Optional Bond(s)”	the Convertible Bonds to be issued by the Company upon exercise of the Option by the Subscriber, in a principal sum of HK\$128 million convertible into a maximum of 800 million Shares
“SFC”	the Securities and Futures Commission
“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”	Jadehero Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited, the ultimate beneficial owners of both of Marvel Steed Limited and Southlead Limited are Independent Third Parties to the Company under the Listing Rules
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 22 May 2009 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds at its face value
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

Executive Directors:

Mr. Sun Tak Yan, Desmond (*Chairman*)
Mr. Ng Cheuk Fan, Keith (*Managing Director*)
Mr. Yeung Kwok Leung

Registered office:

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Independent Non-executive Directors:

Mr. Ng Kay Kwok
Mr. Lam Ka Wai, Graham
Mr. Tam B Ray Billy

*Head office and principal place
of business in Hong Kong:*

13/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

12 June 2009

To the Shareholders

Dear Sirs or Madams,

ISSUANCE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the announcement of the Company dated 27 May 2009 in which, among others, the Board announced that on 22 May 2009 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issuance of Convertible Bonds in the principal amount of HK\$128 million due on 31 December 2012 at an exercise

LETTER FROM THE BOARD

price of HK\$0.16 per Conversion Share with the Option for the Subscriber to further subscribe for Convertible Bonds up to a maximum principal amount of HK\$128 million convertible into a maximum of 800 million Shares. Completion of the Subscription Agreement is subject to, among others, the passing of the necessary resolution at the EGM by the Shareholders approving the Subscription Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with details regarding the Subscription and the transactions contemplated thereunder.

SUBSCRIPTION AGREEMENT

1. Parties and Date

Date: 22 May 2009 (after trading hours)

Issuer: 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 owners are Independent Third Parties to the Company under the Listing Rules. The Subscriber has no relationship with each of 新紀元期貨有限公司 (#New Era Futures Co., Ltd), Excalibur Securities Limited, Excalibur Futures Limited and Wealthy Aim Group Limited and their ultimate beneficiaries. The Subscriber is a company incorporated in the British Virgin Islands and is primarily engaged in the investment of local stocks.

2. Principal terms of the Convertible Bonds

Principal amount: HK\$128,000,000

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

Interest rate: 0%

Maturity: 31 December 2012

LETTER FROM THE BOARD

- 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds Holder will (except as otherwise required by law) be treated as the absolute owner of the Convertible Bonds 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 Bonds Holder.

LETTER FROM THE BOARD

- (d) The Convertible Bonds 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 Bonds Holder, cancel the existing Convertible Bond, issue a new Convertible Bond and/or 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 Bonds 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 Bonds 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 Bonds Holder, the conversion, cancellation and destruction of the Convertible Bond, replacement Convertible Bonds issued in substitution for any defaced, lost, stolen or destroyed Convertible Bonds and of details and addresses of the Convertible Bonds Holder from time to time. The Company shall make available such register to the Convertible Bonds Holder for inspection at all reasonable times and will permit the Convertible Bonds 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 Bonds Holder such additional amount as shall be necessary so that the Convertible Bonds 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.

LETTER FROM THE BOARD

- (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 Bonds Holder may notify the Company from time to time.
- (c) If the due date for payment of any amount in respect of the Convertible Bonds is not a Business Day, the Convertible Bonds 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 Bonds until it has received the certificate for the Convertible Bond.

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

- Conversion:
- (a) The Convertible Bonds 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 Bonds 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.

LETTER FROM THE BOARD

- (d) The Convertible Bonds Holder shall not convert the Convertible Bonds and the Company shall not issue any Conversion Shares if, upon such issue, the Convertible Bonds 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 Bonds 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 Bonds 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;

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- (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 Bonds 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 Bonds 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 Bonds 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 Bonds Holder. At any time after the principal amount of the Convertible Bonds has become payable, any of the Convertible Bonds Holder may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

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Voting: The Convertible Bonds 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 Bonds Holder.

Based on the conversion price of HK\$0.16 per Conversion Share, a maximum number of 800 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 105.81% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 51.41% of the issued share capital of the Company to be enlarged by the allotment and issuance of the Conversion Shares. Assuming 800 million Shares to be issued by the Company where the Convertible Bonds are all converted into Shares and the maximum of 800 million Shares are to be issued by the Company where the Optional Bond(s) are all converted into Shares, an aggregate of 1,600 million Shares will be issued, which represent (i) approximately 211.62% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 67.91% of the issued share capital of the Company to be enlarged by the allotment and issuance of all the Conversion Shares.

The Convertible Shares shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issuance 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) represents a discount of approximately 64.84% to the closing price per Share as quoted on the Stock Exchange of HK\$0.455 on 22 May 2009, being the last day of trading in the Shares on the main board of the Stock Exchange immediately prior to the entering into of the Subscription Agreement; (ii) represents a discount of approximately 64.68% to the average of the closing prices of HK\$0.453 per Share for the last five consecutive trading days ended on 22 May 2009, being the last day of trading in the Shares on the main board of Stock Exchange immediately prior to the entering into of the Subscription Agreement; (iii) represents a premium of approximately 3.90% over the Adjusted Attributable NAV per Share of approximately HK\$0.154; and (iv) a discount of approximately 66.32% to the closing price per Share as quoted on the Stock Exchange of HK\$0.475 on the Latest Practicable Date.

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.

LETTER FROM THE BOARD

3. Conditions precedent

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

- (a) The Company and the Subscriber approving, by their respective shareholders in an extraordinary general meeting held for the purpose, to enter into the Subscription Agreement, including but not limited to the Option enshrined therein;
- (b) The holders of any existing and/or outstanding security instruments issued by the Company as at the date of the Subscription Agreement, including but not limited to the convertible bonds and the promissory notes issued by the Company as described in the announcements of the Company dated 30 May 2008, 24 September 2008, 16 March 2009 and 6 May 2009 respectively, granting their express consent to the issuance of the Convertible Bonds and the Optional Bond(s) pursuant to the Subscription Agreement;
- (c) The Subscriber completes and satisfies in its absolute discretion with the result of the due diligence to be conducted on the Company;
- (d) Each of the warranties remaining true and accurate in all material respects up to CB Subscription Completion;
- (e) 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
- (f) 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), (b) and (f) and any waiver so granted may be subject to such conditions as the Subscriber may deem fit. Save as so waived, the parties shall use their respective best endeavors to ensure that the conditions set out above shall be fulfilled as soon as possible after execution of the Subscription Agreement, and in any event no later than the time referred below.

Save as otherwise stated, 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 thereunder whatsoever against any of the other parties under the Subscription Agreement (save for any antecedent breaches of the terms hereof).

LETTER FROM THE BOARD

4. Issuance and Subscription of the Convertible Bonds

Upon CB Subscription Completion, the Subscriber shall subscribe for the Convertible Bonds and the Company shall issue the Convertible Bonds to the Subscriber.

5. 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.

6. Subscription and Option

The subscription price of HK\$128 million (the “Subscription Price”) for the Convertible Bonds shall be satisfied by the Subscriber in cash which upon the CB Subscription Completion.

The Subscriber is also granted the Options to subscribe for the Optional Bond(s) to be issued by the Company in a maximum principal sum of HK\$128 million convertible into a maximum of 800 million Shares where the said Option is exercised and the Optional Bond(s) are all converted into Shares.

The Option and the Optional Bond(s) shall be governed by and shall benefit from the same terms and conditions as the Bonds issued pursuant to the Subscription Agreement save that:

- (i) no further option to subscribe for a Convertible Bonds and/or an other security instrument whatsoever shall be granted;
- (ii) subject to condition (i) above, the Option may be exercisable within 12 months from the date of the Subscription Agreement becomes unconditional (and time shall be of essence) by serving written notice specifying the amount of the Optional Bond(s) to be subscribed;
- (iii) in the event that the Subscriber notifies the Company in writing of its intention to exercise the Option in accordance with clause (i) above, the Subscriber must subscribe for Optional Bond(s) in the minimum principal amount of HK\$10 million, which shall be satisfied by the Subscriber in cash upon the issuance of such Optional Bond(s); and
- (iv) Completion of the subscription of the Optional Bond(s) shall be taken place on or before two (2) Business Days after the notice (referred above) is received by the Company.

LETTER FROM THE BOARD

REASON FOR THE ISSUANCE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Company considers that the issuance of Convertible Bonds is in the interest of shareholders and the Company as a whole. Given the volatility of the market and the prolonged economic downturn, the Board believes that it is important to maintain and/or enhance its cash position in order to prepare itself for possible investment opportunities and a resurging market in future.

The Directors have considered various financing methods, including both debt financing and equity financing. Nevertheless, in view of the volatile market and the conservative approach adopted by institutional lenders, debt financing is considered inappropriate under the present circumstances. In addition, the Company does not consider a rights issue or an open offer to be a better fund raising exercise at the present development stage of the Company. Even if the Company could succeed in procuring an underwriter, the Shares to be issued in either a rights issue or an open offer would need to be at a deep discount in order to appear as attractive to such underwriter which would result in immediate and significant dilution to Shareholders who do not participate. In contrast, the issuance of Convertible Bonds would provide sufficient funds for the Company to carry out its business so that existing Shareholders could enjoy the possible benefits without having to suffer potential immediate dilution or alternatively being forced to pay additional money.

The conversion price was agreed upon based on the recent closing prices of the Shares as quoted on the Stock Exchange and the Adjusted Attributable NAV per Share of approximately HK\$0.154. Taking into account the current general market condition and the Directors considered that it is good time for raising funds for possible future investments. 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 issuance of the Convertible Bonds and the Optional Bonds of approximately HK\$256 million will be used for the proposed acquisition of 49% equity interest in 新紀元期貨有限公司 (#New Era Futures Co., Ltd) (the "Acquisition"), financing possible future investments of the Group and/or as general working capital of the Group.

As at the date hereof, except for the entering into of the share transfer agreement per the announcement dated 27 May 2009 regarding the Acquisition and the entering into of three conditional sale and purchase agreements per the announcement dated 16 March 2009 in respect of the acquisition of the remaining 49% interest in Excalibur Securities Limited, the acquisition of the remaining 49% interest in Excalibur Futures Limited and the acquisition of the entire interest in

LETTER FROM THE BOARD

Wealth Aim Group Limited respectively, 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 Acquisition, financing possible futures investments and/or as general working capital of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the existing shareholding structure of the Company and the shareholding structure of the Company upon full conversion of Convertible Bonds, Optional Bonds, all other outstanding convertible bonds, full exercise of outstanding warrants and options under different scenarios are as follows:–

Shareholders	As at the Latest Practicable Date		Upon full conversion of all Convertible Bonds and Optional Bonds <i>(Note 6)</i>		Upon full conversion of Convertible Bonds, Optional Bonds, all other outstanding convertible bonds, full exercise of outstanding warrants and options <i>(Note 6 & 7)</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Good Treasure Holdings Limited <i>(Note 1)</i>	108,000,000	14.29	–	–	N/A	N/A
The Subscriber <i>(Note 2)</i>	–	–	1,600,000,000	67.91	1,600,000,000	44.13
Lao Chio Kuan <i>(Note 3)</i>	200,000,000	26.45	200,000,000	8.49	200,000,000	5.51
– Pioneer (China) Limited <i>(Note 3)</i>	–	–	–	–	181,250,000	5.00
Ample Wealth Group Limited <i>(Note 4)</i>	–	–	–	–	365,000,000	10.07
Top Good Holdings Limited <i>(Note 5)</i>	–	–	–	–	368,738,000	10.17
Public Shareholders:						
Existing public Shareholders	394,322,000	52.15	394,322,000	16.74	394,322,000	10.88
Holder of other convertible bonds due in 2012	–	–	–	–	385,000,000	10.62
Holder of outstanding options	–	–	–	–	11,400,000	0.31
Holder of outstanding warrants	–	–	–	–	12,000,000	0.33
Top Good Holdings Limited <i>(Note 5)</i>	53,738,000	7.11	53,738,000	2.28	N/A	N/A
Good Treasure Holdings Limited <i>(Note 1)</i>	N/A	N/A	108,000,000	4.58	108,000,000	2.98
Total	756,070,000	100.00	2,356,070,000	100.00	3,625,710,000	100.00

LETTER FROM THE BOARD

Notes:

1. 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.
2. The Subscriber is a company incorporated in the British Virgin Islands and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited. The ultimate beneficial owner of Marvel Steed Limited and Southlead Limited is Mr. Wong Kam Fat Tony and Mr. Xia Ying Yan respectively. All of them are Independent Third Parties to the Company under the Listing Rules.
3. Pioneer (China) Limited (“Pioneer”) 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 (the “S&P 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.

Nevertheless, in accordance with the S&P Agreements, the respective bondholder shall not convert any convertible bonds and the Company shall not issue any conversion shares if, upon such issue, (1) the bondholder and parties acting in concert (as defined under the Takeovers Code) with it will be interested in 30% (or such amount as may from time to time specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company or will be under an obligation to make general offer under the Takeovers Code; (2) each of (i) any of the Shareholders holding more than 20% or more of the voting rights of the Company; and (ii) the bondholder and its parties acting in concert (as defined under the Takeovers Code) will hold 20% or more of the voting rights of the Company respectively; or (3) the public float of the Company falls below 25% of the issued share capital of the Company.

4. A wholly-owned subsidiary of the Company, as the purchaser, entered into a conditional sale and purchase agreement on 6 March 2009 with Ample Wealth Group Limited 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.
5. As at the Latest Practicable Date, Top Good Holdings Limited (“Top Good”) 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. On 6 May 2009, the Company and Top Good entered into a subscription agreement in respect of the issuance of 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 each. Top Good is a wholly owned subsidiary of PME Group Limited which is a company listed on the main board of the Stock Exchange.

LETTER FROM THE BOARD

6. These two columns are for illustration purpose only and will not occur as according to the Subscription Agreement, the Convertible Bonds Holder can exercise the right of the conversion only 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. Besides, the Convertible Bonds Holder shall not convert the Convertible Bonds and the Company shall not issue any Conversion Shares if, upon such issue, the Convertible Bonds Holder and the parties acting in concert (as defined under the Takeovers Code) 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.
7. The holders of other convertible bonds or outstanding options/warrants are Independent Third Parties to the Subscriber.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following are the fund raising activities of the Company during the past twelve months before the Latest Practicable Date:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
30-May-08	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-Sep-08	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
6-May-09	Issuance of 200 million convertible bonds at an exercise price of HK\$0.16 in principal amount of HK\$32 million	HK\$32,000,000	The Acquisition, possible future investments and/or general working capital	The subscription is yet to be completed

LISTING RULES IMPLICATION

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

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at 13/F, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on 3 July at 11:30 a.m. is set out on pages 20 to 22 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders have a material interest in the Subscription Agreement and accordingly no Shareholders will be required to abstain from voting at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the EGM will be taken by poll.

RECOMMENDATIONS

The Directors considers that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the resolution as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
The Board of Directors of
China Fortune Group Limited
Ng Cheuk Fan, Keith
Managing Director

[#] *the English translation of the Chinese name is for identification purpose only and should not be regarded as the official English translation of such Chinese name*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular concerning the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. MISCELLANEOUS

- (a) The registered office of the Company is located at P.O. Box 309, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at 13/F., Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited of Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Ms. Chow Man Ngan who is a member of the Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

NOTICE OF EGM



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of China Fortune Group Limited (“**Company**”) will be held at 13/F, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong on 3 July 2009 at 11:30 a.m. for the purposes of considering and, if thought fit, passing, with or without amendments or modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the Subscription Agreement (the “Subscription Agreement”) dated 22 May 2009 entered into between the Company and Jadehero Limited (the “Subscriber”) in relation to, among other matters, the subscription of the convertible bonds (the “Convertible Bonds”) in the principal amount of HK\$128 million due on 31 December 2012 at an exercise price of HK\$0.16 per conversion share with the option (“Optional Bonds”) for the Subscriber to further subscribe for Convertible Bonds up to a maximum principal amount of HK\$128 million convertible into a maximum of 800 million shares of the Company (a copy of which is marked “A” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) be and is hereby ratified, confirmed and approved and the directors (the “Directors”) of the Company be and are hereby authorized to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder;

NOTICE OF EGM

- (b) the issuance of the Convertible Bonds and Optional Bonds to the Subscriber in accordance with the terms of the Subscription Agreement be and is hereby confirmed and approved and the Directors be and are hereby authorized to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the issuance of the Convertible Bonds and/or Optional Bonds and the transactions contemplated thereunder; and
- (c) the allotment and issuance of the conversion shares of HK\$0.1 each (the “Conversion Shares”) in the share capital of the Company upon exercise of the conversion rights attaching to the Convertible Bonds and/or the Optional Bonds be and is hereby approved and to do all such acts and things as they consider necessary, desirable or expedient in connection therewith.”

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

Hong Kong, 12 June 2009

Principal Place of Business in Hong Kong:
13/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay, Hong Kong

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands
British West Indies

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the EGM may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share of the Company as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch registrar and transfer office in Hong Kong, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. Whether or not you propose to attend the EGM in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the proxy form, it will be deemed to have been revoked.

As at the date of this notice, the Company's Board of Directors 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.