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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 290)**

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

## **DISCLOSEABLE TRANSACTION SUBSCRIPTION OF CONVERTIBLE BONDS OF VC HOLDINGS**

The Board announces that on 18 September 2009, Jetgain, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with VC Holdings to subscribe for the Convertible Bonds in a principal amount of HK\$100,000,000 with an initial conversion price of HK\$1.00 per Conversion Share.

As the applicable percentage ratios for the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules.

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## **SUBSCRIPTION AGREEMENT**

Date : 18 September 2009

Parties : (1) VC Holdings as the issuer of the Convertible Bonds  
(2) Jetgain, a wholly-owned subsidiary of the Company, as the subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, VC Holdings and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

### **Subscription Price**

The Subscription Price of HK\$100,000,000 for the Convertible Bonds shall be satisfied in cash by Jetgain upon completion of the Subscription.

The Subscription Price will be fully satisfied by the Group's internal resources.

The Subscription Price was determined after arm's length negotiation between VC Holdings and Jetgain according to a placing agreement dated 8 September 2009 entered into between VC Holdings and China Everbright Securities (HK) Limited.

### **Conditions and Completion**

Completion of the Subscription Agreement is conditional upon:

- (a) the shareholders of VC Holdings passing one or more resolutions at an extraordinary general meeting of VC Holdings to be convened, approving:
  - (i) the issue of a principal amount of HK\$300,000,000 of the Convertible Bonds (the "First Convertible Bonds");

- (ii) the grant and issue, in accordance with the terms of the instrument as contained in the Subscription Agreement (the “Instrument”), of options to subscribe an additional principal amount of HK\$300,000,000 of the Convertible Bonds (the “Options”) and the issue of such additional principal amount of HK\$300,000,000 of the Convertible Bonds on exercise of the Options (the “Optional Bonds”); and
  - (iii) the issue and allotment of the Conversion Shares upon the exercise of the Conversion Rights in respect of all the Convertible Bonds to be issued under the Instrument, being an aggregate principal amount of HK\$600,000,000 of the Convertible Bonds comprising the Convertible Bonds referred to in (i) and (ii) above;
- (b) the Stock Exchange approving the issue of all the Convertible Bonds to be issued under the Instrument (being an aggregate principal amount of HK\$600,000,000 of the Convertible Bonds) and the Options (in each case, either unconditionally or subject only to conditions to which neither VC Holdings nor Jetgain reasonably object and the fulfilment of such conditions);
  - (c) the Listing Committee of the Stock Exchange granting (either unconditionally or subject only to conditions to which neither VC Holdings nor Jetgain reasonably object) listing of and permission to deal in the Conversion Shares to be issued on exercise of the Conversion Rights in respect of all the Convertible Bonds to be issued under the Instrument (being an aggregate principal amount of HK\$600,000,000 of the Convertible Bonds); and
  - (d) at the Completion Date (i) the warranties as contained in the Subscription Agreement being accurate, correct and complied with in all material respects at, and as if made on, the Completion Date; (ii) VC Holdings having performed all of its obligations thereunder to be performed on or before the Completion Date; and (iii) Jetgain having received a certificate to such effect, dated as of the Completion Date, and signed by a duly authorised officer of VC Holdings.

VC Holdings undertakes to Jetgain to use its best endeavours to ensure that the conditions precedent as contained in the Subscription Agreement are fulfilled as early as practicable and in any event not later than 30 November 2009 or such later date as Jetgain and VC Holdings may agree.

Jetgain may at its discretion waive the condition (d) above (but not any of the conditions (a) to (c) above). If the conditions precedent are not fulfilled on or before 30 November 2009 or such later date as may be agreed between Jetgain and VC Holdings, the Subscription Agreement shall terminate and Jetgain and VC Holdings shall be released and discharged from all obligations thereunder, save for any liabilities in respect of any breaches of the Subscription Agreement occurring prior to such termination.

VC Holdings undertakes to use its best endeavours to ensure that a shareholders circular complying with the requirements of the Listing Rules and containing a notice convening the extraordinary general meeting of shareholders contemplated by condition (a) above shall be prepared and dispatched as soon as practicable to shareholders of VC Holdings, and in any event by no later than 12 November 2009.

### **Principal terms of the Convertible Bonds**

Issuer : Value Convergence Holdings Limited

Principal amount : HK\$600 million, comprising:

- (i) the first Convertible Bonds in the aggregate principal amount of HK\$300 million, with options to be granted to the converting Bondholders upon conversion of the First Convertible Bonds to further subscribe for Optional Bonds in a principal amount equal to the respective principal amounts of the First Convertible Bonds being converted; and
- (ii) the Optional Bonds in the aggregate principal amount of up to HK\$300 million, to be issued on exercise of the Options.

- Issue price : 100% of the principal amount of the Convertible Bonds. The issue price was determined by VC Holdings based on the face value of the Convertible Bonds.
- Interest rate : 1% per annum, which shall be payable on 30 June 2010 and thereafter semi-annually in arrears on 31 December and 30 June in each year
- Maturity date : 2 years from the date of issue
- Conversion price : HK\$1.00, being the initial conversion price per Conversion Share but subject to standard adjustment clauses including consolidation or subdivision of the VC Shares, capitalization of profits or reserves, capital distributions, issue of shares and other securities by way of rights and issue of new VC Shares at a price which is less than 95% of the then market price of the VC Shares.
- Conversion Shares : A maximum of 600 million Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds.
- VC Shares issued upon conversion shall rank *pari passu* in all respects with all other existing VC Shares outstanding as at the conversion date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the conversion date.
- Conversion restrictions : (a) The Convertible Bond(s) can only be converted during the period commencing three months after the date on which the First Convertible Bonds are initially issued under the Instrument (the “First Issue Date”) and ending on the day immediately prior to the maturity date of the Convertible Bonds.

- (b) No fraction of a VC Share shall be issued on conversion of the Convertible Bonds, and instead VC Holdings shall pay a cash amount in Hong Kong dollars equal to such amount of the Convertible Bonds that are not converted.
- (c) A holder of Convertible Bonds shall not exercise the right of conversion if, as a result of such exercise, less than 25% of the issued share capital of VC Holdings would be held by the public (as such expression is defined in the Listing Rules) immediately after such conversion.
- (d) A holder of Convertible Bonds shall not convert any Convertible Bonds, and VC Holdings shall not issue any Conversion Shares if, upon such issue, the holder of Convertible Bonds and the parties acting in concert with it would be required to make a mandatory general offer under the Takeovers Code for the VC Shares held by other shareholders of VC Holdings, unless the Bondholder undertakes to VC Holdings at the time of the relevant exercise that all applicable provisions of the Takeovers Code will be complied with.
- (e) A holder of Convertible Bonds shall not convert any Convertible Bond if, as a result of such conversion, the Bondholder would thereby become a substantial shareholder (as defined in the SFO) of one or more subsidiaries of VC Holdings which are regulated under Part V of the SFO, unless the Bondholder has first been approved by the SFC under Part V of the SFO to become such a substantial shareholder.

- Status and transferability:
- (a) The obligations of VC Holdings arising under the Convertible Bonds will constitute general, unsecured and unsubordinated obligations of VC Holdings, and will rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of VC Holdings except for obligations accorded preference by mandatory provisions of applicable laws.
  - (b) No application will be made for a listing of the Convertible Bonds in any jurisdiction.
  - (c) The Convertible Bonds may be transferred to any person, except that the Convertible Bonds may not be transferred to a connected person of VC Holdings without the prior written consent of VC Holdings. Without prejudice to that, any transfer of the Convertible Bonds is subject to (1) the Listing Rules for so long as the VC Shares are listed on the Stock Exchange (and the rules of any other stock exchange on which the VC Shares may be listed at the relevant time), and all applicable laws and regulations; and (2) the approval of the shareholders of VC Holdings in a general meeting if so required and in compliance with the applicable provisions of the Listing Rules if such transfer is proposed to be made to a connected person of VC Holdings.
  - (d) Any transfer of the Convertible Bonds shall be in respect of the whole or any part of the Convertible Bonds in multiples of HK\$10 million.

Redemption : All Convertible Bonds which have not been redeemed or converted by their maturity date will be automatically redeemed by VC Holdings on the maturity date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds. Any accrued but unpaid interest will also be payable.

The First Convertible Bonds may be redeemed in whole or in part by VC Holdings within three months from the first date of issue (but not thereafter) at 100.25% of the principal amount of the Convertible Bonds. If Convertible Bonds are redeemed by VC Holdings under this provision, no interest shall accrue or be payable in respect of those Convertible Bonds from the date of their issue.

The Instrument includes a prohibition on conversion of the First Convertible Bonds within the period of three months from the First Issue Date (see under “Conversion restrictions” above), therefore, no Options or Optional Bonds will be issued during that three month period and, accordingly, the right of VC Holdings to redeem Convertible Bonds within three months from the First Issue Date will not be applicable as a practical matter in respect of the Optional Bonds.

Voting at shareholders’ meeting : Holders of the Convertible Bonds shall not be entitled to receive notices of attend or vote at any shareholders’ meetings of VC Holdings by reason only of being the holders of the Convertible Bonds.



- Bondholders' meeting : VC Holdings may at any time and shall at the request in writing of persons holding not less than one-tenth of the aggregate principal amount of the Convertible Bonds outstanding convene a meeting of the Bondholders by giving not less than 14 days' written notice. A meeting of Bondholders shall have power to (i) sanction any modification or compromise or arrangement in respect of the rights of the Bondholders against VC Holdings; (ii) assent to any modification or abrogation of the provisions of the Instrument; and/or (iii) give any consent or direction required to be given by the Bondholders under the Instrument, in each case by a simple majority of the Bondholders voting upon a show of hands or, if a poll is demanded, by a majority consisting of not less than 50% of the votes given on such poll.
- Listing : 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 VC Holdings to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Events of default : If any of the following events ("Events of Default") occurs, any holder of Convertible Bonds may give notice to VC Holdings that the holder's Convertible Bonds be redeemed, whereupon those Convertible Bonds shall become immediately due and payable at 100% of their principal amount and all interest accrued in respect of those Convertible Bonds shall also become immediately due and payable. The Events of Default are as follows:
- (a) any failure to pay the principal of or interest on the Convertible Bonds when due and such failure continues for a period of seven days in the case of principal or 14 days in the case of interest;

- (b) VC Holdings defaults in performance or compliance with any of its obligations under the Instrument (other than the covenant to pay the principal and interest in respect of the Convertible Bonds), and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or, if capable of remedy, is not remedied within 30 days after notice sent by the holder of the Convertible Bonds to VC Holdings requiring such default to be remedied;
  
- (c) any other present or future indebtedness of VC Holdings or any of its major subsidiaries for or in respect of any bonds, debentures, notes or similar instruments of indebtedness or any other monies borrowed or raised, becomes due and payable prior to its stated maturity otherwise than at the option of VC Holdings or the relevant major subsidiary, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or VC Holdings or any of its major subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such indebtedness provided that the aggregate amount of indebtedness and guarantees and indemnities in respect of which one or more events mentioned above have occurred equals or exceeds HK\$20,000,000 or its equivalent in any other currency Provided That the provisions of this paragraph shall not apply to any alleged default if VC Holdings or the relevant major subsidiary, as the case may be, is contesting the matter in good faith;

- (d) a resolution is passed or an order of a court of competent jurisdiction is made that VC Holdings be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a resolution of holders of Convertible Bonds (no approval of the holders of Options is required);
- (e) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any major subsidiary except (a) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into VC Holdings or any other subsidiary, (b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than as described in (a) above) the terms of which shall have previously been approved by a resolution of holders of Convertible Bonds (no approval of the holders of Options is required), or (c) by way of a voluntary winding up or dissolution where there are surplus assets in such major subsidiary and such surplus assets attributable to VC Holdings and/or any other subsidiary are distributed to VC Holdings and/or any such other subsidiary;
- (f) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of VC Holdings or any major subsidiary;

- (g) a distress, execution or seizure order before judgment is levied or enforced upon or sued out against the whole or a material part of the property, assets or revenues of VC Holdings or any major subsidiary (as the case may be) and is not discharged or stayed within 45 days or such longer period as the Bondholders, by a resolution of Bondholders, may consider appropriate in relation to the event concerned (no approval of the holders of Options is required);
- (h) VC Holdings or any of its major subsidiaries is insolvent or unable to pay its debts as and when they fall due or VC Holdings or any of its major subsidiaries shall initiate or consent to proceedings relating to itself under any applicable administration, bankruptcy, composition or insolvency law or scheme of arrangement while insolvent or makes a general assignment for the benefit of, or enters into any composition with, its creditors;
- (i) proceedings shall have been initiated against VC Holdings or any major subsidiary under any applicable bankruptcy, reorganisation or insolvency law, and such proceedings shall not have been discharged or stayed within 60 days thereafter (or such longer period as the holders of the Convertible Bonds by a resolution may consider appropriate in relation to the jurisdiction concerned (no approval of the holders of the Options is required));
- (j) it is or becomes unlawful for VC Holdings to perform or comply with any of its obligations under the Convertible Bonds, or due to no fault on the part of any holder of the Convertible Bonds any such obligation is not or ceases to be enforceable or is claimed by VC Holdings not to be enforceable;

- (k) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all or (other than on arm's length terms or with respect to a part of the relevant entity's business or operations which has not materially contributed to the consolidated operating profit of VC Holdings and its subsidiaries for at least three years prior to the day on which this paragraph operates) a material part of the assets of VC Holdings or any of its major subsidiaries;
  
- (l) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable VC Holdings lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds, the Options and the Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Convertible Bonds, the Options and the Instrument admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time;  
or
  
- (m) any event occurs which has an analogous effect to any of the events referred to in paragraphs (a) to (l) above.

Options : On an exercise within 12 months from the date of issue of the First Convertible Bonds of the conversion rights in respect of the First Convertible Bonds, a converting Bondholder shall be granted the Option by VC Holdings to subscribe, in cash at 100% of their principal amount, for an aggregate principal amount of Optional Bonds equal to the principal amount of the First Convertible Bonds being converted by that converting Bondholder on the relevant occasion. Accordingly, the maximum aggregate amount of additional Convertible Bonds in respect of which Options may be granted is HK\$300 million. If the subscription rights conferred by Options are duly exercised, Optional Bonds would be issued under the Instrument on the same terms and conditions as the First Convertible Bonds, except that no further options to subscribe for the Convertible Bonds and/or any other security instrument whatsoever will be granted on the conversion of any Optional Bonds. In addition, because the Instrument includes a prohibition on conversion of the First Convertible Bonds within the period of three months from the First Issue Date (see under “Conversion restrictions” above), no Options or Optional Bonds will be issued during that three month period and, accordingly, the right of VC Holdings to redeem Convertible Bonds within three months from the First Issue Date (see under “Redemption” above) will not be applicable as a practical matter in respect of the Optional Bonds.

Options to subscribe for Optional Bonds may only be exercised within 12 months from the date of the initial issuance of the First Convertible Bonds. The minimum principal amount of Optional Bonds which may be subscribed on an exercise of the Options is HK\$10 million. The subscription moneys shall be satisfied in full, in cash on subscription.

Options are transferrable on the same terms as are applicable to the transfer of Convertible Bonds, described above.

## **INFORMATION OF VC HOLDINGS**

VC Holdings together with its subsidiaries are principally engaged in securities, futures and option contracts broking and the provision of other related financial services including margin financing, securities underwriting, placing arrangement, assets management and corporate finance advisory services focusing on the markets in Hong Kong and the PRC.

As stated in the interim report of VC Holdings as at 30 June 2009, VC Holdings had unaudited consolidated net assets of approximately HK\$617,749,000. The net profits before and after taxation of VC Holdings for the year ended 31 December 2008 were approximately HK\$8,964,000 and HK\$7,576,000 respectively. The net profits before and after taxation of VC Holdings for the year ended 31 December 2007 were approximately HK\$62,108,000 and HK\$50,358,000 respectively.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Group is principally engaged in securities, futures and insurance brokerage, margin financing, electrical engineering contracting and trading of electrical good.

The conversion price of HK\$1.00 represents approximately 49% discount to the closing price of HK\$1.95 per VC Share as quoted on the Stock Exchange on the Last Trading Day. Having considered the substantial discount on the conversion price, the interest income on the Convertible Bonds to be subscribed by Jetgain and the same industry as engaged by VC Holdings and its subsidiaries, the Subscription represents a good investment opportunity for the Company. As such, the Directors are of the view that the terms of the Subscription and the Subscription Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **GENERAL**

As the applicable percentage ratios for the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Board”	the board of the Directors
“Bondholder(s)”	means the person who is for the time being the holder of the Convertible Bonds
“Business Day”	means any days (other than a Saturday or Sunday) on which banks are generally open for business in Hong Kong
“Convertible Bonds”	the convertible bonds to be issued by VC Holdings in an aggregate principal amount of HK\$600,000,000 with an initial conversion price of HK\$1.00
“Company”	China Fortune Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the Business Day following the date on which the conditions precedent as contained in the Subscription Agreement have all been fulfilled
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
“Conversion Shares”	the VC Shares to be issued by VC Holdings upon exercise by the Bondholders of the Conversion Rights
“Director(s)”	the director(s) of the Company
“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 PRC
“Jetgain”	Jetgain Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Last Trading Day”	17 September 2009, being the last trading day before the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“SFC”	The Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Cap 571) of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds in a principal amount of HK\$100,000,000
“Subscription Price”	a total of HK\$100,000,000 for the Subscription

“Subscription Agreement”	the subscription agreement dated 18 September 2009 entered into between VC Holdings and Jetgain in relation to the Subscription
“Takeovers Code”	The Code on Takeovers and Mergers
“VC Holdings”	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (Stock Code: 821)
“VC Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of VC Holdings
“%”	per cent.

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

Hong Kong, 18 September 2009

*As at the date of this announcement, the Board consists of two Executive Directors, namely Mr. Ng Cheuk Fan, Keith (Managing Director) and Mr. Yeung Kwok Leung; one Non-Executive Director, Mr. Wong Kam Fat, Tony (Chairman), and three Independent Non-Executive Directors, namely Mr. Tam B Ray Billy, Mr. Ng Kay Kwok and Mr. Lam Ka Wai, Graham.*