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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 27 June 2016 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issue of the Convertible Bonds in the principal amount of HK\$32,000,000 due 24 calendar months from the date of issue of the Convertible Bonds at a conversion price of HK\$0.104 per Conversion Share. Completion of the Subscription Agreement is subject to the conditions set out in the paragraph headed “Conditions Precedent” below. Detailed terms of the Convertible Bonds are set out in the paragraph headed “Principal Terms and Conditions of the Convertible Bonds” below. The net amount raised through the issue of the Convertible Bonds of approximately HK\$32,000,000 which will be used for settlement of previous debt owed to the Subscriber. Upon full conversion of the Convertible Bonds at the Conversion Price, a total of 307,692,307 Conversion Shares will be issued, representing approximately 9.00% of the issued share capital of the Company as at the date of this announcement and approximately 8.26% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Completion of the Subscription is subject to fulfilment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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SUBSCRIPTION AGREEMENT

1) Parties and Date

Date:	27 June 2016
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 owner(s) is not a connected person of the Company under the Listing Rules. The Subscriber is a company incorporated in the British Virgin Islands and is principally engaged in investment holdings. It is a wholly-owned subsidiary of China Ever Grand Financial Leasing Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange.

2) Principal Terms and Conditions of the Convertible Bonds

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Issuer:	the Company
Holder:	the Subscriber
Principal Amount:	HK\$32,000,000
Issue Price:	100% at the full face value of the Convertible Bonds
Status:	the Convertible Bonds constitute direct and unconditional unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Form and Denomination:	the Convertible Bonds will be issued in registered form in a single denomination of HK\$32,000,000. The certificate will be issued to the Subscriber in respect of its registered holding of the Convertible Bonds.
Interest:	5% per annum on the outstanding principal amount of the Convertible Bonds
Interest Period:	the period of twenty-four (24) calendar months commencing on the date of issue of the Convertible Bonds and ending on the maturity date of the Convertible Bonds
Maturity Date:	the date that is twenty-four (24) calendar months after the date of issue of the Convertible Bonds
Conversion Price:	HK\$0.104 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

The initial Conversion Price of HK\$0.104 per Conversion Share was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares, and represents:

- (1) a discount of approximately 17.46% to HK\$0.1260 per Share, being the closing price as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 19.13% to HK\$0.1286 per Share, being the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (3) a discount of approximately 24.86% to HK\$0.1384 per Share, being the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

Adjustment events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- i. consolidation, subdivision and reclassification of Shares;
- ii. capitalisation of profits or reserves;
- iii. capital distribution;
- iv. offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 90% of the reference price per Share to all or substantially all Shareholders;
- v. other than those to be issued pursuant to general mandates granted by the Shareholders at general meetings of the Company, issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share receivable is less than 90% of the reference price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 90% of the reference price;
- vi. other than those to be issued pursuant to general mandates granted by the Shareholders at general meetings of the Company, issue of Shares being made wholly for cash at a price less than 90% of the reference price per Share; and

- vii. other than those to be issued pursuant to general mandates granted by the Shareholders at general meetings of the Company, issue of Shares for the acquisition of asset at a total effective consideration less than 90% of the reference price per Share.

Conversion Rights: Holder of the Convertible Bonds will have the right, during the period commencing on the date of issue of the Convertible Bonds and ending on the maturity date of the Convertible Bonds, to convert the Convertible Bonds in whole or in part of the outstanding principal amount of the Convertible Bonds into Conversion Shares

Conversion Shares: 307,692,307 Conversion Shares would be in issue on full conversion of the Convertible Bonds, subject to adjustments to the Conversion Price

Redemption: The Company shall be entitled to redeem the Convertible Bonds by repaying the Subscriber the then outstanding principal amount and accrued interests of the Convertible Bonds during the period commencing on the date of issue of the Convertible Bonds and ending on the date of maturity of the Convertible Bonds provided that (a) the Company has served a written redemption notice to the Subscriber; and (b) such written notice has been duly delivered by the Company to the Subscriber at least ten (10) Business Days in advance before the date of actual redemption

Redemption Amount: Unless previously redeemed, the Company shall redeem the Convertible Bonds by repaying the Subscriber all outstanding principal amount and accrued interests of the Convertible Bonds on the date of maturity of the Convertible Bonds

Transferability: The Convertible Bonds shall not be transferred or assigned by the Subscriber without the prior written consent of the Company

Ranking of Conversion Shares: The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank pari passu with the Shares already in issue on the conversion date

Listing: No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be issued upon the conversion of the Convertible Bonds

3) Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfilment of the following conditions precedent:

- (a) each of the warranties given by the Company under the Subscription Agreement remaining true and accurate in all material respects up to Completion;
- (b) 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
- (c) 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 condition (c) 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 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).

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.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Directors consider that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors consider that the issue of 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.

As the Group has not incurred any significant cost on the issue of the Convertible Bonds, the net amount raised through the issue of the Convertible Bonds is approximately HK\$32,000,000, and the net price of the issue is approximately HK\$0.104 per Conversion Share, which will be used for settlement of previous debt owed to the Subscriber.

SHAREHOLDING STRUCTURE

For illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon full conversion of the Convertible Bonds at the Conversion Price (without adjustment), assuming there being no other change in the issued share capital and shareholding structure of the Company since the date of this announcement:

Shareholders	As at the date of this announcement		Upon full conversion of the Convertible Bonds	
	Number of shares	(approx. % of shareholding)	Number of shares	(approx. % of shareholding)
Jadehero Limited (<i>Note 1</i>)	800,000,000	23.40%	800,000,000	21.47%
Mankind Investment Limited (“MIL”) (<i>Note 2</i>)	500,000,000	14.63%	500,000,000	13.42%
Right Magic Limited (<i>Note 3</i>)	164,604,000	4.81%	164,604,000	4.41%
Fameway Finance Limited (<i>Note 3</i>)	<u>140,000,000</u>	<u>4.10%</u>	<u>140,000,000</u>	<u>3.76%</u>
Chinese Strategic Holdings Limited (<i>Note 3</i>)	304,604,000	8.91%	304,604,000	8.17%
Other public shareholders	1,813,781,668	53.06%	1,813,781,668	48.68%
The Subscriber	<u>—</u>	<u>—</u>	<u>307,692,307</u>	<u>8.26%</u>
	<u><u>3,418,385,668</u></u>	<u><u>100%</u></u>	<u><u>3,726,077,975</u></u>	<u><u>100%</u></u>

Notes:

- Mr. XIA Yingyan (“**Mr. Xia**”) is the executive Director whereas Mr. WONG Kam Fat Tony (“**Mr. Wong**”) is the former chairman of the Company and the former executive Director. Jadehero Limited (“**Jadehero**”), a company incorporated in the British Virgin Islands with limited liability, beneficially held 800,000,000 Shares. Jadehero is owned as to 80% by Southlead Limited and as to 20% by Marvel Steed Limited. Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited whereas Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited.
- MIL beneficially held 500,000,000 Shares. MIL is wholly-owned by China Cinda (HK) Asset Management Co., Limited (“**China Cinda (HK) Asset Management**”) which is in turn wholly-owned by China Cinda (HK) Holdings Company Limited (formerly known as Well Kent International Investment Company Limited) (“**China Cinda (HK) Holdings**”). China Cinda (HK) Holdings is wholly-owned by China Cinda Asset Management Co., Limited (“**China Cinda Asset Management**”). For the purpose of the SFO, China Cinda (HK) Asset Management, China Cinda (HK) Holdings and China Cinda Asset Management are deemed or taken to be interested in the Shares held by MIL.
- Right Magic Limited and Fameway Finance Limited beneficially held 164,604,000 Shares and 140,000,000 Shares, respectively. Right Magic Limited and Fameway Finance Limited are indirect wholly-owned subsidiaries of Chinese Strategic Holdings Limited. For the purpose of the SFO, Chinese Strategic Holdings Limited is deemed or taken to be interested in the Shares held by Right Magic Limited and Fameway Finance Limited.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the following fund raising activity, the Company did not carry out any equity fund raising activities during the past 12 months prior to the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
18 March 2016	Issue of convertible bonds	Approximately HK\$40 million	Settlement of previous debt owed to the subscriber of relevant convertible bonds	Used as intended

ISSUE OF THE CONVERSION SHARES UNDER THE GENERAL MANDATE

On 18 March 2016, the Company issued convertible bonds which are convertible into 310,650,884 Shares under the General Mandate. As at the date of this announcement, the Company can allot and issue an additional 373,026,249 Shares under the General Mandate. The Conversion Shares will be allotted and issued under the General Mandate. The General Mandate will be sufficient for, and no further Shareholders' approval is required for, the allotment and issue of the Conversion Shares.

The Company will constantly monitor its corporate actions which could trigger adjustments to the Conversion Price in accordance with the terms and conditions of the Convertible Bonds to ensure the General Mandate is sufficient to cover the allotment and the issue of all Conversion Shares.

GENERAL INFORMATION

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.

Completion of the Subscription is subject to fulfilment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board” the board of Directors

“Business Day” a day (except Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

“Company”	China Fortune Financial 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 Price”	HK\$0.104 per Share (subject to adjustments)
“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 5% coupon convertible bonds in the principal amount of HK\$32,000,000 due twenty-four (24) calendar months from the date of issue to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 August 2015 to allot, issue and deal with up to 683,677,133 new Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company on the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	27 June 2016, being the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571, laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	One Express Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Ever Grand Financial Leasing Group Co., Ltd., 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 27 June 2016 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“%”	per cent.

By Order of the Board
China Fortune Financial Group Limited
NG Cheuk Fan Keith
Managing Director

Hong Kong, 27 June 2016

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. WONG Kam Choi (Chairman), Mr. NG Cheuk Fan Keith (Managing Director), Mr. HON Chun Yu and Mr. XIA Yingyan; two non-executive Directors, namely Mr. TANG Baoqi and Mr. WU Ling; and three independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok and Mr. TAM B Ray Billy.