
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Fortune Financial Group Limited (the “Company”), you should at once hand this circular accompanying with the form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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>

**(1) MAJOR TRANSACTION: ESTABLISHMENT OF
JOINT VENTURE COMPANY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM of the Company to be held at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, on Friday, 10 March 2017, at 3:00 p.m. is set out on pages 22 to 24 of this circular.

Whether or not you intend to attend and vote in person at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). 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 (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

22 February 2017

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Hongtai”	Beijing Hongtai Tongchuang Investment Management Co.,Ltd.* (北京洪泰同創投資管理有限公司), one of the JV Partners
“Beijing JinXiuHuaCheng”	Beijing JinXiuHuaCheng Investment Co., Ltd.* (北京錦綉華成投資有限公司), one of the JV Partners
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Cinda Subscription Agreement”	the subscription agreement dated 22 November 2016 entered into between the Company and Mankind Investment Limited in relation to the subscription of the 3-year 2% coupon convertible bonds in the principal amount of HK\$110,754,000 to be issued by the Company
“connected person(s)”	as the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve (among other things) the Subscription Agreement and the transactions contemplated thereunder
“Fortune Securities”	Fortune (HK) Securities Limited, a wholly-owned subsidiary of the Company and one of the JV Partners
“Gongqing City Huiquan”	Gongqing City Huiquan Investment Management Partnership (Limited Partnership)* (共青城滙泉投資管理合夥企業(有限合夥)), one of the JV Partners
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JV Company”	HuaHai Securities Company Limited (華海證券股份有限公司), a company limited by shares to be established under the laws of the PRC pursuant to the Subscription Agreement

DEFINITIONS

“JV Partners”	Fortune Securities, Qingdao Ruiyuan, Gongqing City Huiquan, Beijing JinXiuHuaCheng, Qingdao New Energy and Beijing Hongtai
“Latest Practicable Date”	20 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Qingdao New Energy”	Qingdao New Energy Solutions Inc.* (青島昌盛日電太陽能科技股份有限公司), one of the JV Partners
“Qingdao Ruiyuan”	Qingdao Ruiyuan Engineering Group Ltd.* (青島瑞源工程集團有限公司), one of the JV Partners
“Riverhead Subscription Agreement”	the subscription agreement dated 22 November 2016 entered into between the Company and Riverhead Capital (International) Management Co. Ltd. in relation to the subscription of the 3-year 2% coupon convertible bonds in the principal amount of HK\$305,661,000 to be issued by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 23 January 2017 entered into among the JV Partners in relation to the establishment of the JV Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs

DEFINITIONS

“Total Investment Amount” the total aggregate investment amount of all due parties to the Subscription Agreement in respect of the establishment of the JV Company as set out in the Subscription Agreement

“%” per cent

For illustrative purposes only, amount denominated in RMB has been translated into HK\$ at the rate of RMB1.00 = HK\$1.112 in this circular. No representation is made that any amount in RMB or HK\$ has been, could have been or could be converted at the above rate or any other.

** for identification purposes only*



China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

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

Executive Directors:

Mr. XIE Zhichun (*Chairman*)
Mr. HON Chun Yu
Ms. FU Wan Sheung

Registered Office:

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

Non-executive Directors:

Mr. TANG Baoqi
Mr. WU Ling

Independent Non-executive Directors:

Mr. CHAN Kin Sang
Mr. NG Kay Kwok

22 February 2017

To the Shareholders,

Dear Sir or Madam,

**(1) MAJOR TRANSACTION: ESTABLISHMENT OF
JOINT VENTURE COMPANY
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 30 September 2016 and 23 January 2017 in relation to the establishment of the JV Company. On 23 January 2017 (after trading hours), Fortune Securities, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Qingdao Ruiyuan, Gongqing City Huiquan, Beijing JinXiuHuaCheng, Qingdao New Energy and Beijing Hongtai in relation to the establishment of the JV Company. The Subscription Agreement will become effective upon, among other things, (i) the Company having obtained the approval and authorisation from the Shareholders in relation to the Subscription Agreement and the transactions

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contemplated thereunder. The establishment of the JV Company is subject to, among other things, the JV Company obtaining the requisite approvals from relevant regulatory authorities.

The purpose of this circular is to provide you with, among other things, (i) further information on the Subscription Agreement; and (ii) the notice of EGM.

THE SUBSCRIPTION AGREEMENT

Major terms of the Subscription Agreement are set out below:

- Date:** 23 January 2017
- Parties:**
- (1) Fortune Securities;
 - (2) Qingdao Ruiyuan;
 - (3) Gongqing City Huiquan;
 - (4) Beijing JinXiuHuaCheng;
 - (5) Qingdao New Energy; and
 - (6) Beijing Hongtai.

Shareholding Structure and Capital Contribution

Pursuant to the Subscription Agreement, the parties agreed, among other things, that:

- (i) the Total Investment Amount for the establishment of the JV Company shall be RMB1,000 million (equivalent to approximately HK\$1,112 million) which, subject to the approval by relevant regulatory authorities, shall be contributed by Fortune Securities, Qingdao Ruiyuan, Gongqing City Huiquan, Beijing JinXiuHuaCheng, Qingdao New Energy and Beijing Hongtai in the amount of RMB300 million (equivalent to approximately HK\$334 million), RMB325 million (equivalent to approximately HK\$361 million), RMB196 million (equivalent to approximately HK\$218 million), RMB80 million (equivalent to approximately HK\$89 million), RMB50 million (equivalent to approximately HK\$56 million) and RMB49 million (equivalent to approximately HK\$54 million), respectively. The JV Company will be held as to 30.0%, 32.5%, 19.6%, 8.0%, 5.0% and 4.9% shareholding in the JV Company, respectively;
- (ii) each of the JV Partners shall fully pay their respective capital contribution amounts within six months after the document on approving the establishment of the JV Company is signed and issued by the CSRC; and

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- (iii) subject to the JV Company obtaining the requisite approvals from relevant regulatory authorities, the JV Company is expected to become a full-licensed securities company permitted to conduct securities brokerage, proprietary securities trading, underwriting and sponsorship in securities, and securities and assets management businesses in the PRC.

The respective amounts of capital contributions of the JV Partners were determined after arm's length negotiation among the parties to the Subscription Agreement with reference to the initial capital requirement of the JV Company and the capital contribution intentions of the parties. Fortune Securities' capital contribution of RMB300 million (equivalent to approximately HK\$334 million) will be funded by internal resources and/or borrowings of the Group.

Conditions Precedent

The Subscription Agreement will become effective upon:

- (i) the JV Partners having obtained necessary authorised internal approvals and the Company having obtained the approval and authorisation from the Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and
- (ii) where applicable, the JV Partners having obtained the approval and authorisation from the relevant regulatory authorities in relation to the Subscription Agreement and the transactions contemplated thereunder.

Restrictions on Transfer of Shares of the JV Company

Each of the JV Partners shall not:

- (i) transfer any part of the shares of the JV Company within 48 months from the date of establishment of the JV Company; and
- (ii) transfer any part of the shares of the JV Company, which are issued prior to the public offering of the shares of the JV Company, within one year from the day the shares of the JV Company are listed on any recognised stock exchange.

Boards of Directors and Supervisors of the JV Company

The board of directors of the JV Company shall consist of nine directors (including two independent directors). Pursuant to the Subscription Agreement, each of Fortune Securities and Qingdao Ruiyuan is entitled to nominate two directors and recommend a candidate of independent director while Gongqing City Huiquan is entitled to nominate two directors and Beijing JinXiuHuaCheng is entitled to nominate one director. The chairman of the board of directors of the JV Company shall be a director nominated by Qingdao Ruiyuan. The JV Company shall in each year hold at least two board of directors' meetings. Each director of the JV Company is entitled to one vote for every board resolution. All board resolutions shall be passed by a simple majority of votes.

LETTER FROM THE BOARD

JV Company shall have a board of supervisors which shall consist of three supervisors. Pursuant to the Subscription Agreement, each of Fortune Securities and Qingdao Ruiyuan is entitled to nominate one supervisor and the remaining supervisor shall be an employee of the JV Company who is being elected at the JV Company's employees' representatives conference. The chairman of the board of supervisors of the JV Company shall be the supervisor nominated by Fortune Securities. The JV Company shall hold at least one board of supervisors' meeting in every six months. Each supervisor of the JV Company is entitled to one vote for every matter that is decided by the board of supervisors. Any action or resolution of the board of supervisors shall be passed by a simple majority of votes.

Shareholders' Meeting and Voting

A regular shareholders' meeting of the JV Company shall be held within six months after the end of each financial year.

Save as below matters which shall be approved by special resolution at the shareholders' meeting of the JV Company, all matters shall be approved by ordinary resolution at the shareholders' meeting of the JV Company:

- (i) increase or decrease in the registered capital of the JV Company;
- (ii) spin off, merging, winding up and liquidation or change in the form of the JV Company;
- (iii) amendment to the article of association of the JV Company; or
- (iv) other matters as prescribed by applicable laws and regulations and article of association of the JV Company.

An ordinary resolution shall be passed by a simple majority of votes at the shareholders' meeting of the JV Company and a special resolution shall be passed by a majority of more than two-thirds of votes at the shareholders' meeting of the JV Company.

Profit Distribution

Profit after tax of the JV Company shall be distributed in the following order:

- (i) offset loss of the JV Company incurred in previous financial year;
- (ii) 10% of the profit after tax of the JV Company shall be deducted and credited to the statutory provident fund;
- (iii) deduction of trading risk reserve and other risk reserve as required by applicable laws of the PRC and regulation of the CSRC;
- (iv) deduction of discretionary provident fund in accordance with resolution approved at the shareholders' meeting of the JV Company; and

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- (v) unless required by relevant applicable laws and regulation, all remaining profit after (i) to (iv) above shall be distributed to shareholders of the JV Company as dividend upon having obtained approval at the shareholders' meeting of the JV Company.

Any deduction of profit to the statutory provident fund can be withheld once the accumulated statutory provident fund exceeds 50% of the registered capital of the JV Company.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY

The Group and its management keep putting extra effort in developing the securities business and strive to gain further exposure in the capital markets of the PRC so as to bring better returns to the stakeholders.

By entering into the Subscription Agreement and committing its resource towards the establishment of the JV Company on the terms of the Subscription Agreement, the Group and the JV Partners are expecting to rely on Supplement X of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), pursuant to which Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies may set up one full-licensed joint venture securities company in specified areas in accordance with relevant requirements. The JV Partners, following execution of the Subscription Agreement, will submit applications, together with the Subscription Agreement and the articles of association of the JV Company, shortly to the CSRC for the establishment and regulatory licenses of the JV Company.

The Group believes its participation in the establishment and operation of the JV Company shall enable the Group to expand its securities services businesses into the PRC and bring along synergy effect to the existing securities services and financial businesses platform of the Group. It also offers significant competitive advantages to the Group in accessing the fast growing financial markets in the PRC.

The Directors (including the independent non-executive Directors) consider that the investment in the JV Company by Fortune Securities and the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP, THE JV COMPANY AND THE JV PARTNERS

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of brokerage and margin financing, proprietary securities trading, corporate finance, money lending and factoring and consultancy and insurance brokerage services.

The JV Company is proposed to be set up in Shandong province, the PRC. The JV Company, when established, will be a limited liability company in the PRC, which be owned as to 30.0% by Fortune Securities, 32.5% by Qingdao Ruiyuan, 19.6% by Gongqing City Huiquan, 8.0% by Beijing JinXiuHuaCheng, 5.0% by Qingdao New Energy and 4.9% by

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Beijing Hongtai. The proposed principal activities of the JV Company shall include provision of regulated securities related services including securities brokerage, proprietary securities trading, underwriting and sponsorship in securities, securities and assets management and any other business approved by the CSRC. The parties may from time to time, by way of board resolutions of the JV Company and subject to the regulations by the applicable authorities, take all necessary actions or obtain the necessary approvals or licenses to expand the authorised business scope of the JV Company.

Pursuant to the Subscription Agreement, it was agreed that business operation period of the JV Company shall be perpetual after the business license is granted by the relevant regulatory authorities in the PRC.

Fortune Securities is a limited liability company incorporated in Hong Kong and is an indirectly wholly-owned subsidiary of the Company. Fortune Securities is principally engaged in the provision of securities brokering and dealing, margin financing to clients and placing and underwriting services in Hong Kong. Fortune Securities is licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO.

Qingdao Ruiyuan is a limited liability company established in the PRC which is a conglomerate engaging, in among others, real estate development, technology businesses and health and elderly care services.

Gongqing City Huiquan is a limited partnership established in the PRC which principally engages in investments.

Beijing JinXiuHuaCheng is a limited liability company established in the PRC which principally engages in investments.

Qingdao New Energy is a limited liability company established in the PRC which is a comprehensive solar energy utilisation solution service provider.

Beijing Hongtai is a limited liability company established in the PRC which is a fund management company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, each of Qingdao Ruiyuan, Gongqing City Huiquan, Beijing JinXiuHuaCheng, Qingdao New Energy and Beijing Hongtai and their respective ultimate beneficial owner(s) is third party independent of and not connected with the Company and its connected persons as defined under the Listing Rules.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the following equity fund raising activities, the Company did not carry out any equity fund raising activities during the past 12 months prior to the Latest Practicable Date:

Date of Announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
22 November 2016	Issue of convertible bonds	Approximately HK\$565,000,000	(i) approximately HK\$240,000,000 for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting businesses; (ii) approximately HK\$150,000,000 for expanding its money lending business; (iii) approximately HK\$12,000,000 for engaging in private equity investments; (iv) approximately HK\$129,000,000 for strengthening the capital base of its asset management, wealth management and corporate financing business; and (v) approximately HK\$34,000,000 for the general working capital of the Group.	As at the Latest Practicable Date, the issue of convertible bonds has yet to be completed. <i>(Note)</i>
27 June 2016	Issue of convertible bonds	Approximately HK\$32,000,000	Settlement of previous debt owed to the subscriber of relevant convertible bonds	Used as intended
18 March 2016	Issue of convertible bonds	Approximately HK\$40,000,000	Settlement of previous debt owed to the subscriber of relevant convertible bonds	Used as intended

Note: As disclosed in the announcement of the Company dated 22 November 2016, the completion of relevant convertible bonds subscription agreements is subject to, among others, the proposed reorganisation of capital of the Company becoming effective. As at the Latest Practicable Date, the proposed reorganisation of capital of the Company is pending the approval by the Grand Court of Cayman Islands. The first hearing date in respect of such proposed capital reorganisation of the Company is scheduled to be held on 14 March 2017.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ESTABLISHMENT OF THE JV COMPANY

The capital contribution is expected to be funded by internal financial resources and/or borrowings of the Group.

By adopting equity accounting method and assuming (i) such capital contribution is solely funded by the Group's internal financial resources, the investment in joint ventures of the Group will be increased by RMB300 million (equivalent to approximately HK\$334 million) and the cash and bank balances of the Group will be decreased by the same amount; and (ii) such capital contribution is solely funded by borrowings of the Group, the investment in joint ventures of the Group will be increased by RMB300 million (equivalent to approximately HK\$334 million) and the total liabilities of the Group will be increased by the same amount. Accordingly, the investment in the JV Company is not expected to have material adverse effects on the position of net assets of the Group.

Upon the establishment of the JV Company, the Group will adopt equity accounting method to account for 30% of the net financial results of the JV Company. The impact on the earnings of the Group would depend on the future financial performance of the JV Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in relation to the capital commitment of Fortune Securities under the Subscription Agreement is more than 25% but all of the applicable percentage ratios are less than 100%, the entering into of the Subscription Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had any material interest in the Subscription Agreement and the transactions contemplated thereunder that is materially different from other Shareholders. Therefore, no Shareholder, or his close associate(s), is required to abstain from voting on the resolution to be proposed at the EGM.

EGM

The Company will convene an EGM for the Shareholders to consider and, if thought fit, approve by way of poll, the Subscription Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 35/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Friday, 10 March 2017 at 3:00 p.m. is set out on pages 22 to 24 of this circular.

Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in

LETTER FROM THE BOARD

Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

RECOMMENDATION

The Directors are of the view that the terms of Subscription Agreement are on normal commercial terms which are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and, recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

By Order of the Board
China Fortune Financial Group Limited
HON Chun Yu
Executive Director

1. THREE-YEAR AUDITED FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 March 2014, 2015 and 2016 together with the relevant notes thereto can be found from pages 42 to 135 of the annual report of the Company for the year ended 31 March 2014 published on 21 July 2014, pages 43 to 137 of the annual report of the Company for the year ended 31 March 2015 published on 10 July 2015 and pages 45 to 133 of the annual report of the Company for the year ended 31 March 2016 published on 26 July 2016.

The said annual reports of the Company are available on the Company's website at www.290.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT

As at 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

Borrowings

The Group had outstanding short term loan of approximately HK\$130.4 million and corporate bonds with carrying amounts of approximately HK\$173.7 million. All borrowings of the Group are unsecured and not subject to any guarantee.

Contingent liabilities

The Group had no significant contingent liabilities.

Apart from as disclosed above and intra-group liabilities, as at 31 December 2016, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2016, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, assuming the completion of the formation of the JV Company, and taking into account the internal financial resources and borrowings of the Group, the Group will have sufficient working capital for its present requirements and the requirements for the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Uncertainties conquer in the global economic environment and global market sentiment is likely to remain conservative and cautious in the near future. The market anticipates that the central government of the PRC will launch more measures for stable growth in order to maintain its economic growth. The Group is convinced that investors regain confidence in the prospect of the PRC will bring a gradual improvement in the financial market.

During the current financial year, the Group is principally engaged in the provision of brokerage and margin financing, proprietary securities trading, corporate finance, money lending and factoring and consultancy and insurance brokerage services.

As disclosed in 2016 annual report of the Company, revenue of the Group amounted to approximately HK\$49.2 million for the year ended 31 March 2016. Net loss of the Group amounted to approximately HK\$42.7 million for the year ended 31 March 2016. Total assets and total equity amounted to approximately HK\$458.1 million and approximately HK\$107.5 million, respectively. The Group will focus on securities market in Hong Kong as well as expanding its margin financing and underwriting businesses. Furthermore, the Group will continue to invest more funds on its existing money lending business, asset management business, wealth management business and corporate financing business.

The formation of joint venture through Supplement X of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) with other joint venture partners shall enable the Group to explore potential opportunities to develop its existing securities services business in the financial market in the PRC so as to enhance values to the Shareholders. The Directors believe that the development does bring along synergy effect to the existing securities services and financial businesses platform of the Group. It also enhances the Group's service capability in the fast-growing financial market in the PRC, hence strengthening the Group's competitive advantage as a whole.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors and Chief Executive in the Company

Long position

Name of Director	Capacity	Interest in Shares	Interest in underlying shares	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Mr. XIE Zhichun ("Mr. Xie") ^(Note)	Interest of controlled corporation	—	5,094,350,000	5,094,350,000	126.20%

Note: As at the Latest Practicable Date, Mr. Xie was interested in 5,094,350,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK\$305,661,000 (at the conversion price of HK\$0.06 per conversion share) to be issued by the Company to Riverhead Capital (International) Management Co., Ltd. ("Riverhead Capital", a company which was owned as to 80% by Mr. Xie) pursuant to the subscription agreement entered into between the Company and Riverhead Capital on 22 November 2016.

Save as disclosed above, as at the Latest Practicable Date, none of the Director and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or the chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered into the register referred to therein, or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long position

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying shares	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Jadehero Limited ("Jadehero") ^(Note 1)	Beneficial owner	800,000,000	—	800,000,000	19.81%
Southlead Limited ("Southlead") ^(Note 1)	Interest of controlled corporation	800,000,000	—	800,000,000	19.81%
Marvel Steed Limited ("Marvel Steed") ^(Note 1)	Interest of controlled corporation	800,000,000	—	800,000,000	19.81%
Wahen Investments Limited ("Wahen") ^(Note 1)	Interest of controlled corporation	800,000,000	—	800,000,000	19.81%
Mankind Investment Limited ("MIL") ^(Note 2)	Beneficial owner	461,430,000	1,845,900,000	2,307,330,000	57.16%
China Cinda (HK) Asset Management Co., Limited ("China Cinda (HK)") ^(Note 2)	Interest of controlled corporation	461,430,000	1,845,900,000	2,307,330,000	57.16%
China Cinda (HK) Holdings Company Limited ("China Cinda Holdings") ^(Note 2)	Interest of controlled corporation	461,430,000	1,845,900,000	2,307,330,000	57.16%

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying shares	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital of the Company
China Cinda Asset Management Co., Limited (“China Cinda Asset”) ^(Note 2)	Interest of controlled corporation	461,430,000	1,845,900,000	2,307,330,000	57.16%
Flying Bridge Investment Ltd. (“FBI”) ^(Note 3)	Beneficial owner	310,650,884	—	310,650,884	7.70%
Chinese Strategic Holdings Limited (“Chinese Strategic”) ^(Note 4)	Interest of controlled corporation	292,900,000	—	292,900,000	7.25%
Pacific Alliance Limited (“PAL”) ^(Note 5)	Beneficial owner	—	2,559,750,000	2,559,750,000	63.41%
Best Fortress Limited (“BFL”) ^(Note 5)	Interest of controlled corporation	—	2,559,750,000	2,559,750,000	63.41%

Notes:

- As at the Latest Practicable Date, Jadehero beneficially held 800,000,000 Shares. Jadehero was owned as to 80% by Southlead and as to 20% by Marvel Steed. Southlead was wholly-owned by Wahren which in turn was wholly-owned by Mr. Zhao Xu Guang. Marvel Steed was wholly-owned by Mr. Wong Kam Fat Tony. For the purpose of SFO, Southlead, Marvel Steed, Wahren, Mr. Zhao Xu Guang and Mr. Wong Kam Fat Tony are deemed to be interested in the Shares held by Jadehero.
- As at the Latest Practicable Date, MIL beneficially held 461,430,000 Shares and 1,845,900,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK\$110,754,000 (at the conversion price of HK\$0.06 per conversion share) to be issued by the Company to MIL pursuant to the subscription agreement entered into between the Company and MIL on 22 November 2016. MIL was wholly-owned by China Cinda (HK) which in turn was wholly-owned by China Cinda Holdings. China Cinda Holdings was wholly-owned by China Cinda Asset. For the purpose of SFO, China Cinda (HK), China Cinda Holdings and China Cinda Asset are deemed to be interested in the Shares and underlying shares held by MIL.
- As at the Latest Practicable Date, FBI beneficially held 310,650,884 Shares. FBI was wholly-owned by Ms. Ding Lu. For the purpose of SFO, Ms. Ding Lu is deemed to be interested in the Shares held by FBI.

4. As at the Latest Practicable Date, Victory Time Global Limited, Excel Return Enterprises Limited and Fameway Finance Limited beneficially held 153,800,000 Shares, 34,000,000 Shares and 105,100,000 Shares respectively. Victory Time Global Limited, Excel Return Enterprises Limited and Fameway Finance Limited are all indirect wholly-owned subsidiaries of Chinese Strategic. For the purpose of SFO, Chinese Strategic is deemed or taken to be interested in the Shares held by Victory Time Global Limited, Excel Return Enterprises Limited and Fameway Finance Limited.
5. As at the Latest Practicable Date, PAL beneficially held 2,559,750,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK\$153,585,000 (the “PAL Convertible Bonds”) (at the conversion price of HK\$0.06 per conversion share) to be issued by the Company to PAL pursuant to the supplemental agreement entered into between the Company and PAL on 22 November 2016 (the “Supplemental Agreement”). PAL was wholly-owned by BFL which in turn was owned as to 90% by Mr. Yip Sum Yin. For the purpose of SFO, BFL and Mr. Yip Sum Yin are deemed to be interested in the underlying shares held by PAL.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Service Contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Other Interests of the Directors

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 March 2016, the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, save for the interest of Mr. Tang Baoqi, a non-executive Director, in the Cinda Subscription Agreement, the subscription agreement dated 21 September 2016 entered into between the Company and PAL (as amended and supplemented by the Supplemental Agreement) in relation to the subscription of the PAL Convertible Bonds and the Riverhead Subscription Agreement (which are inter-conditional amongst each other) and the transactions contemplated thereunder as his directorship of the Company was nominated by China Cinda Asset, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

Competing Interests of the Directors

As at the Latest Practicable Date, the interest of the Directors in the business which compete or is likely to compete either directly or indirectly, with business of the Group (“Competing Business”) as required to be disclosed pursuant to the Listing Rules were as follows:

Name of Director	Name of company	Description of Competing Business	Nature of interest
HON Chun Yu (Executive Director)	Certain subsidiaries of Fortune Freedoness group (the “Fortune Freedoness Subsidiaries”)	Provision of insurance brokerage service	As a director of the Fortune Freedoness Subsidiaries

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and his or her associates was interested directly or indirectly in any business, apart from his or her interest in the Company, which competes or is likely to compete with the business of the Group.

3. LITIGATION

In April 2014, a writ of summons was issued by a third party in liquidation (the “Plaintiff”) against Fortune Securities, a wholly-owned subsidiary of the Company, in relation to HK\$4,000,000 (“Sum”) paid to Fortune Securities pursuant to a cheque issued by the Plaintiff in September 2009 which was transferred to a client’s account maintained with Fortune Securities. The Plaintiff claimed that the Sum was money belonging to him and demanded for a refund of the Sum. As advised by the legal adviser to the case, pursuant to the terms and conditions of the client’s agreement entered into between the client and Fortune Securities, Fortune Securities is entitled to set off or withhold any securities and monies held in the account against any liabilities owed by the client. Having considered the legal advice, the Board believes that the said legal action does not have any material adverse impact on the Group’s operation and financial position. As at the Latest Practicable Date, the said legal action is still pending.

4. MATERIAL CONTRACTS

The following contract (not being a contract entered into in the ordinary course of business) had been entered into by members of the Group within the two years immediately preceding the date of this circular which is or may be material:

- (a) the Subscription Agreement;
- (b) the subscription agreement entered into between the Company and PAL on 21 September 2016 in relation to the subscription of the 3-year 2% convertible bonds in the aggregate principal amount of HK\$390,000,000 to be issued by the Company;
- (c) the Supplemental Agreement;
- (d) the Riverhead Subscription Agreement;
- (e) the Cinda Subscription Agreement;
- (f) the subscription agreement entered into between the Company and One Express Group Limited on 27 June 2016 in relation to the subscription of the 24-month 5% convertible bonds in the principal amount of HK\$32,000,000 issued by the Company;
- (g) the sale and purchase agreement entered into between Giant Talent Group Ltd. (“Giant Talent”, a wholly-owned subsidiary of the Company) and Ms. KWONG Mei Ling Merlin on 3 June 2016 in relation to the disposal of 25% issued share capital in Prior Capital Limited by Giant Talent;
- (h) the subscription agreement entered into between the Company and Ever Step Holdings Limited (“Ever Step”) on 18 March 2016 in relation to the subscription of the 12-month 12% convertible bonds in the principal amount of HK\$40,384,615 (the “Relevant CB”) issued by the Company;
- (i) the supplemental agreement entered into between the Company and FBI (holder of the Relevant CB assigned by Ever Step on 10 June 2016) on 28 November 2016 in relation to the amendment of the terms and conditions of the Relevant CB issued by the Company; and

- (j) the subscription agreement entered into between the Company and Ever Step on 10 February 2015 in relation to the subscription of the 12-month 12% convertible bonds in the principal amount of HK\$40,384,615 issued by the Company.

5. GENERAL

- (a) The company secretary of the Company is Ms. WONG Miu Ying Vivian. Ms. WONG Miu Ying Vivian is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (b) The registered office of the Company is situated at P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, located at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) In the event of inconsistency, the English text shall prevail over the Chinese text.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays in Hong Kong) at the principal place of business of the Company at 35/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2015 and 31 March 2016;
- (c) the material contracts referred to under the section headed "Material Contracts" in this appendix; and
- (d) this circular.



China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Fortune Financial Group Limited (the “Company”) will be held at 3:00 p.m. on Friday, 10 March 2017 at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering, and if thought fit, passing with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the subscription agreement dated 23 January 2017 entered into among Fortune (HK) Securities Limited, 青島瑞源工程集團有限公司 (transliterated as Qingdao Ruiyuan Engineering Group Ltd.), 共青城滙泉投資管理合夥企業 (有限合夥)(transliterated as Gongqing City Huiquan Investment Management Partnership (Limited Partnership)), 北京錦綉華成投資有限公司 (transliterated as Beijing JinXiuHuaCheng Investment Co., Ltd.), 青島昌盛日電太陽能科技股份有限公司 (transliterated as Qingdao New Energy Solutions Inc.) and 北京洪泰同創投資管理有限公司 (transliterated as Beijing Hongtai Tongchuang Investment Management Co., Ltd.) (the “Subscription Agreement”, a copy of which has been produced to the EGM and marked “A” and initialled by the Chairman of the EGM for the purposes of identification) in relation to the establishment of 華海證券股份有限公司 (transliterated as HuaHai Securities Company Limited) (the “JV Company”) and the terms thereof be and are hereby confirmed, approved and ratified;
- (b) all the transactions contemplated under the Subscription Agreement including but not limited to the capital contribution by Fortune (HK) Securities Limited into the JV Company be and are hereby confirmed, approved and ratified; and

NOTICE OF EGM

- (c) the directors of the Company (“Directors”) be and are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement and any transactions contemplated thereunder.

By Order of the Board
China Fortune Financial Group Limited
HON Chun Yu
Executive Director

Hong Kong, 22 February 2017

Registered office:

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

Principal place of business in Hong Kong:

35/F., Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Notes:

- (a) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on behalf of him/her/it. A proxy needs not be a member. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.
- (b) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof should such member so wishes and, in such event, the form of proxy shall be deemed to be revoked.
- (c) Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were 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 being the most, or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant joint holding.
- (d) All votes to be taken at the EGM shall be conducted by way of poll.
- (e) If a Typhoon Signal No. 8 or above is hoisted, or a “Black” rainstorm warning signal is in force at or at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the Company’s website and HKExnews website to notify the shareholders of the Company of the date, time and place of the rescheduled EGM.

NOTICE OF EGM

As at the date of this notice, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. HON Chun Yu and Ms. FU Wan Sheung; two non-executive Directors, namely Mr. TANG Baoqi and Mr. WU Ling; and two independent non-executive Directors, namely Mr. CHAN Kin Sang and Mr. NG Kay Kwok.