中國富強集團有限公司
China Fortune Group Limited

CHINA FORTUNE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

MAJOR DISPOSAL
RELATING TO
DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

On 29 July 2011 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, whereby, conditionally, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company at the Consideration of HK$15.88 million.

Given that the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders has a material interest in the Agreement or is required to abstain from voting on the resolution to approve the Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, (i) details of the Disposal; (ii) the financial information of the Group, and (iii) a notice of the EGM is expected to be despatched to the Shareholders on or before 19 August 2011.

INTRODUCTION

On 29 July 2011 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, whereby, conditionally, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company at the Consideration of HK$15.88 million.

THE DISPOSAL

The Agreement

Date: 29 July 2011 (after trading hours)

Parties

Vendor: Fortune Financial (Holdings) Limited, a wholly-owned subsidiary of the Company

Purchaser: New Century Excalibur Holdings Limited

The Purchaser is an investment holding company. The Directors confirm that, to the best of their knowledge, information and belief, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are independent of and not connected with the Company and its Connected Persons.

Assets to be disposed of

Pursuant to the Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Target Company. The Target Company is a wholly-owned subsidiary of the Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

Consideration and terms of payment

Pursuant to the Agreement, the Consideration for the Disposal is HK$15.88 million.

The Consideration shall be satisfied in the following manners:

(a) HK$2 million upon fulfillment or waiver of condition (a) under the section headed "Conditions Precedent"; and

(b) the remaining HK$13.88 million within 7 days after fulfillment of all the Conditions Precedent.

The Company wishes to announce that the Target Company completed a restructuring on 22 July 2011, whereby Flagship Fortune (Holdings) Limited (a wholly-owned subsidiary of the Company) and its subsidiaries (the "**Flagship Group**") were consolidated into the Target Company (the "**Restructuring**"). The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the estimated net asset value of the Target Group in the amount of approximately HK$14.80 million assuming the Restructuring was completed. The estimated net asset value of the Target Group is calculated by consolidating the accounts of the Flagship Group into the management accounts of the Target Group as at 30 June 2011 (pro forma adjustments). The Consideration represents approximately a 7.30% premium to the estimated net asset value of the Target Group as at 30 June 2011. The Directors consider that the terms and conditions of the Disposal to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be conditional upon the following conditions:

(a) the Purchaser or its authorised persons having conducted a due diligence review in respect of the Target Company, and having issued a due diligence report within 45 days after the execution of the Agreement;

(b) all necessary approvals, authorisations, and permits having been obtained by the Vendor from the Directors, the Shareholders, the Stock Exchange, the SFC and/or other relevant regulatory authorities in connection with the Disposal contemplated under the Agreement;

(c) all necessary approvals, authorisations, and permits having been obtained by the Purchaser from the directors and shareholders of its holding company, the SFC and/or other relevant regulatory authorities in connection with the Disposal contemplated under the Agreement;

(d) All undertakings and warranties given by the Vendor and the Purchaser under the Agreement remaining true, accurate and not misleading in all material aspects on the completion date of the Agreement.

Save for the condition (a) above, parties of the Agreement shall not waive any of the abovementioned conditions.

In the event that the Purchaser is not satisfied with the results of the due diligence report, the Purchaser may opt to terminate the Agreement within 45 days after the execution of the Agreement. Condition (a) is considered fulfilled if the Purchaser does not notify the Vendor in writing regarding its dissatisfaction on the due diligence results within 45 days after the execution of the Agreement.

If the abovementioned conditions are not fulfilled on or before the Long Stop Date, the Agreement shall cease and terminate and none of the parties to the Agreements shall have any obligations and liabilities thereunder save for any antecedent breaches. In such event, the Vendor shall return to the Purchaser any parts of the Consideration already paid by the Purchaser.

In the event that the Conditions Precedent are not fulfilled or waived on or before the Long Stop Date owing to the Purchaser's mistake or error, the Agreement shall terminate and any parts of the Consideration already paid by the Purchaser are to be forfeited by the Vendor.

In the event that the Conditions Precedent are not fulfilled or waived on or before the Long Stop Date owing to the Vendor's mistake or error, the Agreement shall terminate and the Vendor shall return to the Purchaser any parts of the Consideration already paid by the Purchaser together with a compensation in the amount of HK$2 million.

Completion

Completion shall take place within 7 days upon the fulfillment of the Conditions Precedent.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is principally engaged in the provision of brokerage services for futures and options and is a licensed corporation to carry on Type 2 regulated activities (dealing in futures contracts) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Set out below is the unaudited pro forma financial information of the Target Group for the two financial years ended 31 March 2010 and 31 March 2011 respectively assuming the Restructuring was completed:

	For the year ended 31 March 2011	For the year ended 31 March 2010
	HK$'000	*HK$'000*
Turnover	**35,356**	25,536
(Loss)/Profit before tax	**(27,302)**	3,536
(Loss)/Profit after tax	**(28,222)**	2,385

According to the pro forma management accounts of the Target Group as at 30 June 2011 assuming the Restructuring was completed, the net asset value of the Target Group amounted to approximately HK$14.80 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company acts as an investment holding company. The Group is principally engaged in the provision of brokerage services for securities, futures and insurance and margin financing.

With the introduction of China Cinda (HK) Asset Management Co., Ltd. into the Group as a substantial shareholder, the Group intends to dispose of its non-profitable business and shift more financial resources and management efforts to its asset management business and expand the reach of its securities brokerage and margin financing business in the Greater China Region. In addition, the Consideration represents approximately a 7.30% premium to the net asset value of the Target Group as shown in its pro forma management accounts as at 30 June 2011 (assuming the Restructuring was completed).

Taking account into the abovementioned reasons, the Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Group's financial statements.

The Group expects to recognize a gain of approximately HK$1.08 million from the Disposal, which is calculated on the basis of the Consideration less the estimated net asset value of the Target Group in the amount of approximately HK$14.80 million as at 30 June 2011.

USE OF PROCEEDS

The Company intends to use the proceeds from the Disposal as general working capital of the Group.

LISTING RULES IMPLICATIONS

Given that the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the approval of the Shareholders.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders has a material interest in the Agreement or is required to abstain from voting on the resolution to approve the Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, (i) details of the Disposal; (ii) the financial information of the Group; and (iii) a notice of the EGM is expected to be despatched to the Shareholders on or before 19 August 2011.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

"Agreement"	The share transfer agreement dated 29 July 2011 entered into between the Vendor and the Purchaser in relation to the Disposal
"Board"	the board of Directors
"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 Stock Exchange
"Completion"	the Completion of the Disposal in accordance with the terms of the Agreement
"Conditions Precedent"	conditions that Completion is subject to, and are set out in the section headed "Conditions Precedent" in this announcement
"Connected Person(s)"	has the meaning as ascribed under the Listing Rules
"Consideration"	the sum of HK$15.88 million payable by the Purchaser to the Vendor in respect of the Disposal
"Disposal"	the disposal of the entire issued share capital of the Target Company by the Vendor to the Purchaser pursuant to the Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, to approve the Agreement and the transactions contemplated thereunder

"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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2012, or such later date as the Vendor and the Purchaser may agree in writing
"PRC"	The People Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	New Century Excalibur Holdings Limited, a company incorporated in Hong Kong with limited liability
"SFC"	the Securities and Futures Commission
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Target Company"	Excalibur Futures Limited, a licensed corporation to carry on Type 2 regulated activity (dealing in futures contracts) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Fortune Financial (Holdings) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"%"	per cent

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

Hong Kong, 29 July 2011

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