
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 Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

**(I) MAJOR DISPOSAL
RELATING TO DISPOSAL OF A SUBSIDIARY
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Terms used in this cover page, have the same meanings as defined in this circular.

A notice convening the EGM to be held at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 9 September 2011 at 11:00 a.m. is set out on pages 19 to 20 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch registrar and transfer office in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for 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 if you so wish.

25 August 2011

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DEFINITIONS

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

“Agreement”	The share transfer agreement dated 29 July 2011 entered into between the Vendor and the Purchaser in relation to the Disposal
“Associate”	has the meaning ascribed to it under the Listing Rules
“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 the Letter from the Board of this circular
“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 on 9 September 2011 at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong 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
“Latest Practicable Date”	23 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“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 circular, excludes Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
“Purchaser”	New Century Excalibur Holdings Limited, a company incorporated in Hong Kong with limited liability
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

Executive Directors:

Mr. Zhang Min (*Chairman*)
Mr. Ng Cheuk Fan, Keith (*Managing Director*)
Mr. Yeung Kwok Leung
Mr. Hon Chun Yu
Mr. Xia Yingyan

Non-executive Director:

Mr. Wong Kam Fat, Tony (*Vice-chairman*)

Independent Non-executive Directors:

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

Registered Office:

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

*Head Office and Principal Place of
Business in Hong Kong:*

35th Floor, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai,
Hong Kong

25 August 2011

*To the Shareholders, and for information purpose only,
the holders of warrants and convertible securities of the Company*

Dear Sir or Madam

MAJOR DISPOSAL RELATING TO DISPOSAL OF A SUBSIDIARY

1. 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.

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The purpose of this circular is to provide you with, among others, (i) details of the Disposal; (ii) the financial information of the Group; and (iii) notice of the EGM to approve the Agreement and the transactions contemplated thereunder.

2. 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

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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.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

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) above 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 or waived 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.

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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. The compensation amount was determined on the basis of the first tranche of Consideration in the amount of HK\$2 million payable by the Purchaser to the Vendor. The Directors consider that the term of the compensation to each of the party of the Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

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

3. 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

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4. 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.

5. 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.

Earnings

The Group expects to recognise 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. However, the actual gain on the Disposal may differ as the amount will be calculated based on the carrying value of the Target Company on Completion. According to the audited accounts of the Group for the year ended 31 March 2011, the loss for the 12 months ended 31 March 2011 was approximately HK\$66 million. In view of the loss-making position of the Target Company, it is expected that the earnings of the Group would improve after the Disposal.

Assets and liabilities

According to the audited accounts of the Company for the year ended 31 March 2011 (adjusted by a net proceeds of HK\$49 million raised from a Share placement completed on 14 July 2011), the audited total assets and total liabilities of the Group as at 31 March 2011 were approximately HK\$844 million and HK\$405 million respectively. Based on the pro forma management accounts of the Target Group as at 30 June 2011, the estimated total assets and total liabilities of the Target Group were approximately HK\$73 million and HK\$59 million respectively. Upon Completion, the Target Company will cease to be a subsidiary of the Company and its assets and

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liabilities will be deconsolidated from the Group's future financial statements. Accordingly, the total assets and total liabilities of the Group are expected to decrease by approximately 8.6% and 14.6% respectively as a result of the Disposal.

6. USE OF PROCEEDS

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

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Company will cease the business of futures brokerage services. The remaining Group will continue to be engaged in the provision of financial services including the securities brokerage, margin financing and asset management. Coupled with its expanded presence on the mainland in the recent years, it is also the Group's intention to inject more capital resources and put greater efforts on its financial services business in the Greater China Region.

Securities Brokerage Business

With reference to the annual report of the Company for the previous financial years, the revenue generated from the securities brokerage business has accounted for a large proportion of the Group's total revenue. It is the Group's strategy to focus on and strengthen its existing securities brokerage business and work in close collaboration with its Shenzhen and Beijing representative office to explore cross border business opportunities in securities trading and placement.

Securities Financing Business

With reference to the annual report of the Company for the previous financial years, the revenue generated from the securities financing business has experienced a significant growth from approximately HK\$17 million for the financial year 2010 to approximately HK\$32 million for the financial year 2011, which represents approximately 29.18% of the Group's total revenue. To leverage on this growth opportunities, together with the recent strong demand for margin and IPO financing, the Group will continue to inject more resources into the securities financing business. On the other hand, the Group will also continue to exercise caution in the granting of securities financing and closely monitor its credit policy.

Asset Management Business

With the acquisition of the Fortune Asset Management Limited on 9 September 2010 and riding on the business networks and expertise of China Cinda (HK) Asset Management Co., Ltd as the new shareholder, the Company aims to actively seek business opportunities to develop its business of asset management services. The asset management business of the Group is principally engaged in providing fund management and discretionary portfolio management services, which enable the clients to capture investment opportunities via the provision of professional services.

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Other Businesses

The Group is also engaged in the services of insurance brokerage, immigration advisory, financial communication and trading of securities, etc. which is also in line with the Group's strategy to become a comprehensive financial services provider and provide the clients with diversified products and services to cater their varying needs.

8. 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 and their associates 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.

9. EGM

A notice convening the EGM to be held at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 9 September 2011 at 11:00 a.m. is set out on pages 19 to 20 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch registrar and transfer office in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for 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 if you so wish. In compliance with the Listing Rules, all the proposed resolutions will be taken by way of poll at the EGM.

10. RECOMMENDATION

The Board Considers that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

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11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular and the notice of the EGM.

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

1. INDEBTEDNESS

At the close of business on 30 June 2011, being the latest practicable date prior to the printing of this circular for the purpose of this statement of indebtedness, the Group did not have any secured bank loan.

In addition, at the close of business on 30 June 2011, the Group had other loans of approximately HK\$173 million and outstanding convertible notes and convertible bonds with aggregate principal amount of HK\$40 million. As at the close of business on 30 June 2011, the Group did not have any unsecured bank loans.

Contingent Liabilities

At the close of business on 30 June 2011, the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 30 June 2011, any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

2. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into accounts the internal resources of the Group, its internal generated funds and the estimated net proceeds from the Disposal, the Group has sufficient working capital for its present requirements, that is for at least next twelve months from the date of this circular.

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 Group. 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 respects 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. DIRECTORS' INTEREST

(a) Directors interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or were deemed to have an interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 or 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 (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Directors	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares	Approximately percentage of the Company's issued share capital
WONG Kam Fat, Tony ("Mr. Wong") (Note 1)	Through controlled corporations	800,000,000	800,000,000	1,600,000,000	52.05%
XIA Yingyan ("Mr. Xia") (Note 1)	Through controlled corporations	800,000,000	800,000,000	1,600,000,000	52.05%

Note:

- Mr. Wong is the vice-chairman and non-executive Director whereas Mr. Xia is an executive Director.

Jadehero Limited (the "Jadehero"), a company incorporated in the British Virgin Islands with limited liability, is interested in 800,000,000 Shares. It is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited. Accordingly, Mr. Wong and Mr. Xia are deemed to be interested in these Shares. The underlying shares are Shares which would fall to

be issued upon full exercise of option entitling Jadehero to subscribe for convertible bonds of the Company in the maximum principal sum of HK\$128 million with an initial conversion price of HK\$0.16 per conversion share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the 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) (i) 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 (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Competing interest

As at the Latest Practicable Date, none of the Directors and his associates had any interests which competes or was likely to compete, either directly or indirectly, with the business of the Group.

(c) Service contracts

As at the Latest Practicable Date, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

(d) Directors' interest in assets

None of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

(e) Directors' interest in contracts

There was no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisting as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Capacity	Total interest in Shares	Approximately percentage of the Company's issued share capital
Top Good Holdings Limited (<i>Note 1</i>)	Beneficial owner	263,738,000	8.58%
One Express Group Limited (<i>Note 1</i>)	Beneficial owner	240,000,000	7.81%
PME Group Limited (<i>Note 1</i>)	Interest of controlled corporation	503,738,000	16.39%
Jadehero Limited (<i>Note 2</i>)	Beneficial owner	1,600,000,000	52.05%
Southlead Limited (<i>Note 2</i>)	Interest of controlled corporation	1,600,000,000	52.05%
Xia Yingyan (<i>Note 2</i>)	Interest of controlled corporation	1,600,000,000	52.05%
Marvel Steed Limited (<i>Note 2</i>)	Interest of controlled corporation	1,600,000,000	52.05%
Wong Kam Fat, Tony (<i>Note 2</i>)	Interest of controlled corporation	1,600,000,000	52.05%
Mankind Investment Limited (<i>Note 3</i>)	Beneficial owner	500,000,000	16.26%
China Cinda (HK) Asset Management Co. Limited (<i>Note 3</i>)	Interest of controlled corporation	500,000,000	16.26%
Well Kent International Investment Company Limited (<i>Note 3</i>)	Interest of controlled corporation	500,000,000	16.26%
China Cinda Asset Management Co. Ltd. (<i>Note 3</i>)	Interest of controlled corporation	500,000,000	16.26%

Notes:

1. Top Good Holdings Limited, an indirectly wholly-owned subsidiary of PME Group Limited (the “PME”), a company whose shares are listed on the main board of the Stock Exchange, is the registered beneficial owner of 263,738,000 Shares (representing approximately 8.58% of the issued Share capital of the Company of 3,074,085,668 as at the Latest Practicable Date).

One Express Group Limited, an indirectly wholly-owned subsidiary of PME, owns (i) HK\$4,000,000 of the zero coupon convertible bonds issued by the Company in the aggregate principal amount of HK\$50,000,000 due 19 February 2012 with an initial conversion price of HK\$0.10 per conversion share and (ii) the entire zero coupon convertible bonds issued by the Company in the aggregate principal amount of HK\$32,000,000 with an initial conversion price of HK\$0.16 per conversion share due on 30 June 2012. In all, PME is deemed to be interested in 503,738,000 Shares as at the Latest Practicable Date.

2. Mr. Wong is the vice-chairman and non-executive Director whereas Mr. Xia is an executive Director.

Jadehero, a company incorporated in the British Virgin Islands with limited liability, is interested in 800,000,000 Shares. It is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited. Accordingly, Mr. Wong and Mr. Xia are deemed to be interested in these Shares. The underlying shares are Shares which would fall to be issued upon full exercise of option entitling Jadehero to subscribe for convertible bonds of the Company in the maximum principal sum of HK\$128 million with an initial conversion price of HK\$0.16 per conversion share.

3. Man Kind Investment Limited (the “MIL”), a company incorporated in the British Virgin Islands with limited liability. MIL is wholly-owned by China Cinda (HK) Asset Management Co. Ltd. (the “China Cinda (HK)”), a company incorporated in Hong Kong with limited liability. China Cinda (HK) is in turn wholly-owned by Well Kent International Investment Company Limited (the “Well Kent”), a company incorporated in Hong Kong with limited liability. Well Kent is in turn wholly-owned by China Cinda Asset Management Co. Ltd. (the “China Cinda”), a company incorporated in the PRC. As such each of China Cinda (HK), Well Kent and China Cinda are deemed to be interested in the aforesaid Shares held by MIL.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person had, or was deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

4. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within two years preceding the dated of this circular and are or may be material:

1. the conditional sale and purchase agreement dated 6 March 2009 entered into between Ample Wealth Group Limited and the Fortune Financial (Holdings) Limited, a wholly-owned subsidiary of the Company as purchaser for the acquisition for 100% issued share capital of Wealthy Aim Group Limited (“Wealthy Aim”) at a consideration of HK\$58.5 million (subject to adjustment), which shall be satisfied by the Fortune Financial (Holdings) Limited paid an initial non-refundable deposit of HK\$100,000 in cash and the remaining balance of HK\$58.4 million (subject to adjustment) by the issue of convertible bonds. Wealthy Aim is an investment holding company and subject to reorganization, it will own 70% of the issued share capital of AMS Capital Limited. This agreement was terminated on 2 November 2009 as announced in an announcement of the Company dated 3 November 2009.
2. the subscription agreement entered into between the Company as issuer and Jadehero as subscriber on 22 May 2009 in relation to the subscription and issuance of zero coupon convertible bonds at principal amount of HK\$128 million due on 31 December 2012 at an exercise price of HK\$0.16 per conversion share with option for the subscriber to further subscribe convertible bonds up to a maximum principal amount of HK\$128 million convertible into a maximum of 800 million Shares within 12 months from the issue date. The supplemental agreement was entered on 6 September 2010 to extend the option period from 12 months to 24 months.
3. the share transfer agreement dated 22 May 2009 entered into among Fortune Financial (Holdings) Limited, a wholly-owned subsidiary of the Company as purchaser, and the 深圳市華德石油化工有限公司 (Shenzhen Huade Petrochemical Company Limited*) as vendor in relation to the acquisition of 49% equity interest in the 新紀元期貨有限公司 (New Era Futures Co., Ltd.*). This agreement was terminated on 26 June 2011 as announced in an announcement of the Company dated 26 June 2011.
4. the subscription agreement dated 18 September 2009 (as amended on 4 December 2009) entered into between Jetgain Limited, a wholly-owned subsidiary of the Company as subscriber and Value Convergence Holdings Limited as issuer in relation to the subscription for the convertible bonds of Value Convergence Holdings Limited in a principal amount of HK\$100,000,000 with an initial conversion price of HK\$1.00 per Conversion Share. The subscription agreement was lapsed on 1 March 2010.
5. the conditional sale and purchase agreement dated 16 October 2009 entered into between Faith Star Asia Limited as purchaser and the Fortune Financial (Holdings) Limited, a wholly-owned subsidiary of the Company as vendor for the disposal of 100% issued share capital of Excalibur Securities Limited, a wholly-owned subsidiary of the Company at a consideration of the net asset value of Excalibur Securities Limited based on its management account as at the date of completion of the disposal plus HK\$5 million. The disposal was completed on 20 January 2011.

6. the conditional sale and purchases agreement dated 24 November 2009 entered into between Mr. Lai Sai Sang as purchaser (a connected person of the Company), and the Company as vendor in relation to the disposal of 100% interest in Yew Sang Hong (BVI) Limited, a wholly-owned subsidiary of the Company for a cash consideration of HK\$10,000.
7. the conditional placing agreement entered into between the PME Group Limited as issuer and Fortune (HK) Securities Limited, a wholly-owned subsidiary of the Company as placing agent on 7 January 2010 in relation to the placing of the convertible bond in the maximum principal amount of HK\$264,000,000 to be issued by the issuer.
8. The subscription agreement dated 3 March 2010 entered into between Main Wealth Enterprises Limited, a wholly-owned subsidiary of the Company as subscriber and Emperor Watch & Jewellery Limited as issuer in relation to the subscription of the convertible bond in the principal amount of HK\$10,000,000 and has been given an option to subscribe for another tranche of convertible bond in the principal amount of HK\$60,000,000.
9. the subscription agreement entered into between the Company as issuer and Mankind Investment Limited as subscriber on 6 December 2010 in relation to the subscription and issuance an aggregate of 500,000,000 new Shares at HK\$0.20 per Share. The subscription was completed on 2 February 2011.
10. the conditional placing agreement entered into between the Company as issuer and VC Brokerage Limited as placing agent on 8 December 2010 in relation to the placing a maximum of 280,534,000 placing Shares at a placing price of HK\$0.328 per Share. The placing was completed on 31 January 2011.
11. the loan agreement dated 16 March 2011 entered into between China He Investment (Hong Kong) Company Limited as borrower and the Fortune Case Limited, a wholly-owned subsidiary of the Company as lender for providing a loan of HK\$150,000,000 to the borrower for a period of 6 months from the funding date at an interest rate of 12% per annum.
12. the conditional placing agreement entered into between the Company as issuer and Fortune (HK) Securities Limited, a wholly-owned subsidiary of the Company as placing agent on 12 May 2011 in relation to the placing of an aggregate of 150,000,000 new Shares at HK\$0.33 per Share. The placing was completed on 14 July 2011.
13. The Agreement.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. GENERAL

The company secretary of the Company appointed is Mr. Yeung Kwok Leung, who is a member of the Hong Kong Institute of Certified Public Accountants.

The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of the Company at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, during normal business hours up to and including the date of the EGM:

- (a) the Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the annual report of the Company for the two financial years ended 31 March 2010 and 2011; and
- (d) the material contracts as referred to the paragraph headed “Material Contract” in this appendix.

8. MISCELLANEOUS

The English version of this circular and the proxy form shall prevail over the Chinese text.

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING



(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 Group Limited (the “**Company**”) will be held on 9 September 2011 at 11:00 am at 35th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a). The share transfer agreement dated 29 July 2011 (the “**Agreement**”) entered into between Fortune Financial (holdings) Limited (a wholly-owned subsidiary of the Company) as the vendor and New Century Excalibur Holdings Limited as the purchaser in relation to the disposal of the entire issued share capital of Excalibur Futures Limited (a wholly-owned subsidiary of the Company) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b). any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Agreement and the transactions documents contemplated thereunder as he/she may in his/her absolute discretion consider necessary or desirable.”

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

Hong Kong, 25 August 2011

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Head Office and Principal Place of
Business in Hong Kong:*
35th Floor, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai,
Hong Kong

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Notes:

1. Any registered shareholders of the Company entitled to attend and vote at the EGM may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a registered shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present 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 on the register in respect of the relevant joint holding.
3. In order to be valid, this form of proxy and any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be delivered at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the commencement of the EGM or adjourned meeting (as the case may be). No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
4. Whether or not you propose to attend the EGM in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and delivery of this form of proxy will not preclude you from attending in person and voting at the EGM if you so wish and, in such event, this form of proxy shall be deemed to be revoked.

As at the date of this notice, 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.