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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>*

### **DISCLOSEABLE TRANSACTION SUBSCRIPTION OF EXCHANGEABLE NOTE**

On 14 November 2011 (after trading hours), the Subscriber, a direct wholly-owned subsidiary of the Company, entered into the Exchangeable Note Agreement with the Issuer and the Guarantor pursuant to which the Subscriber has conditionally agreed to subscribe for the Exchangeable Note in the principal amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000). Assuming that the exchangeable rights attaching to the Exchangeable Note are exercised in full, the Exchange Shares, representing 25% of the existing issued share capital of the Target, will be transferred from the Issuer to the Subscriber and the Shareholders' Loan being owed by the Target to the Issuer will be assigned to the Subscriber.

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the subscription of the Exchangeable Note by the Subscriber constitutes a discloseable transaction on the part of the Company pursuant to Rule 14.06 of the Listing Rules and is subject to the disclosure requirements under Chapter 14 of the Listing Rules.

On 14 November 2011 (after trading hours), the Subscriber, a direct wholly-owned subsidiary of the Company, entered into the Exchangeable Note Agreement with the Issuer and the Guarantor pursuant to which the Subscriber has conditionally agreed to subscribe for the Exchangeable Note in the principal amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000). Assuming that the exchangeable rights attaching to the Exchangeable Note are exercised in full, the Exchange Shares, representing 25% of the existing issued share capital of the Target, will be transferred from the Issuer to the Subscriber and the Shareholders' Loan being owed by the Target to the Issuer will be assigned to the Subscriber.

## **THE EXCHANGEABLE NOTE AGREEMENT**

Date: 14 November 2011

Issuer: Jovial Lead Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Guarantor

Subscriber: Gold Kingdom Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company

Guarantor: Credit China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiries, each of the Issuer, the Guarantor and the Target and their respective ultimate beneficial owners are Independent Third Parties.

### **Conditions precedent to the Exchangeable Note Agreement**

Completion of the Exchangeable Note Agreement is conditional upon the following conditions being fulfilled (or waived) on or before 31 December 2011 (or such later date as the Issuer and the Subscriber shall agree in writing):

- (i) the Share Pledge having been duly executed by the Issuer and received by the Subscriber; and
- (ii) all necessary consents, authorisations, licences and approvals in relation to the Exchangeable Note Agreement and the transactions contemplated thereunder having been obtained from all relevant governments and regulatory authorities.

### **Principal terms of the Exchangeable Note**

Principal amount: US\$7,500,000 (equivalent to approximately HK\$58,500,000)

Issue price: 100% of the principal amount of the Exchangeable Note

Interest rate: 12% per annum, which will accrue from the Completion Date on the principal amount of the Exchangeable Note, and will be payable on the Maturity Date (or such later date as the Issuer and the Subscriber may agree) or, if earlier, upon redemption of the Exchangeable Note

Interest shall be waived after the exchangeable rights attaching to the Exchangeable Note are exercised in full

Maturity date: Subject to early redemption or cancellation of the Exchangeable Note or exercise of the exchangeable rights attaching to the Exchangeable Note in full, any outstanding principal amount of the Exchangeable Note shall be redeemed on the date falling on the first anniversary of the Completion Date

Early redemption of the Exchangeable Note:	<p>The Issuer shall be entitled to redeem and the Subscriber shall be entitled to request the Issuer to redeem, the outstanding principal amount of the Exchangeable Note on the date immediately following 6 months after the Completion Date up to the date falling 10 business days prior to the Maturity Date</p> <p>In the event that the Issuer serves a notice to the Subscriber within the aforesaid period requesting for early redemption of the outstanding principal amount of the Exchangeable Note, the Subscriber should be given the opportunity to exercise the exchangeable rights to exchange for the Exchange Shares within 10 business days after the date on which the notice of early redemption is served by the Issuer</p>
Guarantee:	<p>The Guarantor unconditionally and irrevocably undertakes to the Subscriber to procure the due and punctual performance by the Issuer of all the obligations expressed to be imposed on or assumed by it under the Exchangeable Note Agreement and undertakes to indemnify and keep effectively indemnified the Subscriber (if necessary by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under the Exchangeable Agreement or otherwise which the Subscriber may suffer or incur in connection with any default or delay on the part of the Issuer in the performance of such obligations</p>
Share Pledge:	<p>Pursuant to the Share Pledge which will be executed by the Issuer in favour of the Subscriber, as security for the due and punctual performance of its obligations under the terms of the Exchangeable Note, the Issuer being the chargor charges by way of first fixed charge the Charged Securities to the Subscriber being the chargee as continuing security for the payment and discharge of the Secured Obligations</p>
Exchange price and Exchange Shares:	<p>Within the period commencing from the Completion Date up to the Maturity Date, the Exchangeable Note can be exchanged at the option of the Subscriber (in whole or in the multiples of US\$300,000 (equivalent to approximately HK\$2,340,000)), for the Exchange Shares. The number of Exchange Shares to be exchanged is determined based on the initial exchange price of US\$300,000 (equivalent to approximately HK\$2,340,000) per Exchange Share (subject to customary adjustment provisions, such as subdivision or consolidation of the Target Shares, new issues and other usual dilutive events)</p>

The Exchange Shares to be transferred upon exchange shall rank pari passu in all respects with all other existing Target Shares on the date of exchange and all Exchange Shares shall be entitled to all rights and benefits to participate in all dividends and other distributions the record date of which falls on or after the date of exchange. Once the Subscriber having exercised the exchange rights thereto (whether the Subscriber has been in receipt of the certificate(s) for the Exchange Shares or not), (i) the Subscriber shall be entitled to and/or responsible for the rights and benefits attributable to and/or obligations incurred by the Target during the period from the date of issuance of the Exchangeable Note until the day immediately prior to the date of exchange at the ratio of half of the proportional shareholding interests of the Subscriber in the Target as represented by the Exchange Shares; and (ii) the Subscriber shall be entitled to and/or responsible for the rights and benefits attributable to and/or obligations incurred by the Target since the date of exchange by reference to the full proportional shareholding interests of the Subscriber in the Target as represented by the Exchange Shares

After the Subscriber exercises the exchangeable rights in full, the Subscriber will be the legal and beneficial owner of the 25% equity interest in the Target and the Shareholders' Loan being owed by the Target to the Issuer will be assigned to the Subscriber

Undertakings by the Issuer:	The Issuer undertakes to the Subscriber to procure and arrange by no later than 30 November 2011 (i) completion of the investment in and injection of a total sum of US\$30,000,000 (equivalent to approximately HK\$234,000,000) into the registered capital of Liangjiang, a subsidiary in which the Target is indirectly interested and (ii) registration of the change and increase in the registered capital of Liangjiang with the relevant PRC authorities
Events of default:	The Exchangeable Note contains customary events of default provisions which provide that, on the occurrence of certain events of default specified in the terms of the Exchangeable Note, the Subscriber shall be entitled to demand for immediate repayment of the outstanding principal amount of the Exchangeable Note
Transferability:	The Exchangeable Note is not capable of being transferred or assigned by the Subscriber without the prior written consent of the Issuer

## **INFORMATION ON THE PARTIES**

The Group is principally engaged in securities and insurance brokerage and margin financing in Hong Kong.

The Subscriber, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, is an investment holding company.

The Issuer, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Guarantor, is an investment holding company.

The Guarantor, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange, is principally engaged in the provision of pawn loan, entrusted loan and financing consultancy services in the PRC and Hong Kong.

The Target, a company incorporated in Hong Kong with limited liability and owned as to 85% by the Issuer, will engage in the provision of small loan financing services in Chongqing Municipality, the PRC. The Target is indirectly interested in the entire equity interest of Liangjiang, a company established under the laws of the PRC and as procured by the Issuer on or after the Completion Date, the registered capital of which is US\$30,000,000 (equivalent to approximately HK\$234,000,000).

As the Target was incorporated on 3 June 2011 and has been an investment holding company since its incorporation, no financial information of the Target is available as at the date of this announcement.

## **REASONS FOR THE SUBSCRIPTION OF THE EXCHANGEABLE NOTE**

The Directors consider that the subscription of the Exchangeable Note provides an opportunity for the Group to get a reasonable rate of return on its equity under the current low-interest environment. Assuming the Exchangeable Note is not redeemed or exchanged by either party before the Maturity Date, the Group is expected to generate an interest income of approximately US\$900,000 (equivalent to approximately HK\$7,020,000) over a period of 12 months pursuant to the Exchangeable Note Agreement.

As bank lending activities in the PRC have slowed down due to the implementation of macro-economic policies controlling the domestic credit growth and the economy of the PRC is expected to continue its growth at a relatively rapid pace, the Board considers that the demand for small loan financing in the PRC will grow significantly.

Furthermore, by leveraging on the expertise of the Guarantor in operating small loan financing business in the PRC, the Directors believe that the Target is well-positioned to capture the business opportunities emerging from the great demand for small loans and related services in the PRC, which have not been adequately covered by major domestic commercial banks.

Should the Company decide to exchange the Exchangeable Note for the Exchange Shares, it offers an opportunity to the Group to expand its investment horizon in the financial sector, in particular, the small loan financing business in the PRC.

The terms of the Exchangeable Note Agreement and the Exchangeable Note, including but not limited to the interest rate and the principal amount of the Exchangeable Note, were arrived at between the parties based on arm's length negotiation. The Company intends to finance the principal amount of the Exchangeable Note by internal resources of the Group. Taking into account of (i) the potential interest income of approximately US\$900,000 (equivalent to approximately HK\$7,020,000) over a period of 12 months and (ii) the execution of the Share Pledge in favour of the Subscriber (together with the Shareholders' Loan to be assigned upon execution of the Share Pledge) in an aggregate sum equivalent to the principal amount of the Exchangeable Note as collateral, the Directors consider that the Exchangeable Note Agreement is entered into on normal commercial terms, the terms of which are fair and reasonable and the subscription of the Exchangeable Note is in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the subscription of the Exchangeable Note by the Subscriber constitutes a discloseable transaction on the part of the Company pursuant to Rule 14.06 of the Listing Rules and is subject to the disclosure requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of the Directors
“Charged Securities”	25 Target Shares legally and beneficially owned by the Issuer being the chargor and any Target Shares as may be issued from time to time, representing 25% of the issued share capital of the Target (unless otherwise agreed among the parties in writing), including all dividends paid or payable thereon and stocks and shares, rights, monies and property accruing or offered at any time by way of substitution, redemption, bonus, preference, option, exchange, dividend, distribution, scheme of arrangement or organisation or otherwise to the same or in respect thereof
“Company”	China Fortune Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 290)
“Completion Date”	the date falling within three business days upon fulfilment of all the conditions precedent, on which date the Exchangeable Note has been issued by the Issuer to the Subscriber and the issue price of the Exchangeable Note has been satisfied in cash by the Subscriber
“Director(s)”	the director(s) of the Company
“Exchangeable Note”	the secured exchangeable note in the principal amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) to be issued by the Issuer to the Subscriber pursuant to the Exchangeable Note Agreement
“Exchangeable Note Agreement”	the subscription agreement dated 14 November 2011 entered into among the Issuer, the Subscriber and the Guarantor in relation to the subscription of the Exchangeable Note by the Subscriber
“Exchange Shares”	25 Target Shares or additional Target Shares representing 25% of the entire issued share capital of the Target (unless otherwise agreed among the parties in writing) as at the date of the exchange
“Group”	the Company and its subsidiaries



“Guarantor”	Credit China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8207)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons as defined under the Listing Rules
“Issuer”	Jovial Lead Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Guarantor
“Liangjiang”	Chongqing Liangjiang New Area Small Loan Business Limited** (重慶市兩江新區潤通小額貸款有限公司), a company established under the laws of the PRC in which the Target is indirectly interested
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	the first anniversary of the Completion Date
“PRC”	the People’s Republic of China, and, for the purpose of this announcement, excludes Hong Kong, Macau Special Administration Region and Taiwan
“Secured Obligations”	any and all of the obligations of the Issuer under the Exchangeable Note Agreement including the obligation of the Issuer to deliver the Exchange Shares upon the exercise of the exchangeable rights attaching to the Exchangeable Note by the Subscriber, and any and all of the obligations of the Issuer being the chargor under the Share Pledge and/or all other obligations thereby secured
“Share Pledge”	a share pledge to be executed by the Issuer in favour of the Subscriber over the Charged Securities
“Shareholder(s)”	holder(s) of the shares of the Company
“Shareholders’ Loan”	the shareholders’ loan in the aggregate amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) being owed by the Target to the Issuer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Gold Kingdom Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company

“Target”	Media Eagle Limited, a company incorporated in Hong Kong with limited liability and owned as to 85% by the Issuer
“Target Shares”	ordinary shares of HK\$1.00 in the capital of the Target
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

*For the purpose of this announcement, the exchange rate of US\$1 to HK\$7.8 has been used for currency translation, where applicable. Such exchange rate is for illustration purpose only and do not constitute representations that any amount in HK\$ or US\$ have been, could have been or may be converted at such rate.*

*\*\* The English transliteration of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*

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

Hong Kong, 14 November 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. Hon Chun Yu, Mr. Xia Yingyan and Mr. Yeung Kwok Leung; one Non-executive Director, Mr. Wong Kam Fat, Tony (Vice-chairman) and three Independent Non-executive Directors, namely, Mr. Lam Ka Wai, Graham, Mr. Ng Kay Kwok and Mr. Tam B Ray Billy.*