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CHINA FORTUNE HOLDINGS LIMITED

中國長遠控股有限公司*

(Incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Limited)

(Stock Code: 110)

MAJOR TRANSACTION

Disposal of Entire Equity Interest in Synergy Technologies

A letter from the board of directors of China Fortune Holdings Limited is set out on pages 3 to 11 of this circular.

** For identification purpose only*

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DEFINITIONS

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

“Board”	board of directors of the Company
“Business Day”	a day (excluding Saturdays or Sundays) on which commercial banks are generally open for banking business in Hong Kong
“Catalist Board”	the Catalist Board of the Singapore Stock Exchange
“Company”	China Fortune Holdings Limited, a company incorporated in Bermuda with limited liability, whose securities are listed on the Stock Exchange
“Completion”	completion of the Disposal pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of entire equity interest in Synergy Technologies
“Enlarged Group”	the Group immediately after completion of the Mining Company Acquisition
“Group”	the Company and its subsidiaries
“Latest Practical Date”	15 September 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining and collating certain relevant information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mining Company Acquisition”	a very substantial acquisition and connected transaction for the acquisition of 50.8% effective interest in a mining company in the PRC, the details of which are set out in a circular dated 29 January 2009 issued by the Company
“Mr. Lau”	Mr. Lau Siu Ying, the director of Synergy Technologies and the Chairman and Chief Executive Officer of the Company
“PRC”	The People’s Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Adventus Alliances & Solutions Pte Ltd. as the purchaser, a limited liability company incorporated in Singapore and a subsidiary of a company listed on the Catalist Board of the Singapore Stock Exchange

DEFINITIONS

“Sale and Purchase Agreement”	the agreement dated 3 August 2009 entered into amongst Synergy Technologies, the Purchaser and the Vendors in relation to the Disposal
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Sifa Mining”	黃石鋸發礦業有限公司 (Huangshi Sifa Mining Company Limited*), a mining company in the PRC to be acquired pursuant to the Mining Company Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Synergy Technologies”	Synergy Technologies (Asia) Limited, a limited liability company incorporated in Hong Kong and indirectly wholly-owned by the Company
“Vendors”	(1) Transaccess Technology Limited, a limited liability company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company; and (2) Mr. Lau, the director of Synergy Technologies, the Chairman and Chief Executive Officer of the Company as well as the director of Future 2000 Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00:HK\$1.13. Such translation shall not be construed as a representation that the amount of RMB was or may have been converted.

LETTER FROM THE BOARD



China Fortune Holdings Limited

中國長遠控股有限公司*

(Incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Limited)

(Stock Code: 110)

Executive Directors:

Lau Siu Ying (Chairman and C.E.O.)
Luo Xi Zhi

Non-executive Directors:

Fung Oi Ip, Alfonso
Lo Wing Yat

Independent Non-executive Directors:

Chang Wing Seng, Victor
Wong Lit Chor, Alexis
Chen Yi Gang

Registered Office:

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Principal Office in Hong Kong:

Room 1505-7, Tower A,
Regent Centre,
63 Wo Yi Hop Road,
Kwai Chung,
Hong Kong

18 September 2009

To the Shareholders

Dear Sir and Madam,

MAJOR TRANSACTION

Disposal of Entire Equity Interest in Synergy Technologies

INTRODUCTION

On 6 August 2009, the Board announced that on 3 August 2009, the Vendors, the Purchaser and Synergy Technologies entered into the Sale and Purchase Agreement, pursuant to which, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital in Synergy Technologies held by the Group at a cash consideration of HK\$2,880,000.

The purpose of this circular is to provide you with further particulars of the Sale and Purchase Agreement and other information required under the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

THE SALE AND PURCHASE AGREEMENT

Date

3 August 2009 (after trading hours)

Parties

Vendors: (1) Transaccess Technology Limited; and

(2) Mr. Lau

Purchaser: Adventus Alliances & Solutions Pte Ltd.

Subject company: Synergy Technologies

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Asset to be disposed

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital in Synergy Technologies held by the Group.

Consideration

The consideration for the Disposal is HK\$2,880,000 which was arrived at on a willing-buyer willing-seller basis, and taking into account of the net asset value ("NAV") of Synergy Technologies as at 31 December 2008.

Payment terms

The consideration of HK\$2,880,000 for the Disposal is to be settled by the Purchaser to the Vendors in the following manner:

- (i) as to HK\$288,000 in cash as deposit payable upon signing of the Sale and Purchase Agreement;
- (ii) as to HK\$1,152,000 in cash as the second payment payable upon Completion; and
- (iii) as to HK\$1,440,000 in cash payable on the 30th calendar day after Completion or the Business Day immediately before the 30th calendar day after Completion, if the latter is not a Business Day.

LETTER FROM THE BOARD

Undertakings

Intercompany Loan

Pursuant to the Sale and Purchase Agreement, the Purchaser shall procure its parent company, Adventus Holdings Limited which is a company listed on the Catalist Board of the Singapore Stock Exchange, to provide a corporate guarantee and being complete and full indemnity in form and substance to be agreed by the Vendors to the Company and/or the Vendors to secure the repayment of any outstanding loan (being HK\$2 million fixed as at the date of Completion) due by Synergy Technologies and its subsidiary to the Group (the “**Intercompany Loan**”), including the interest payable at 2.5% p.a., until such time the Intercompany Loan and the respective interest have been discharged fully by Synergy Technologies and its subsidiary.

The Intercompany Loan shall be repayable to the Group by 31 March 2010 or 6 months after the date of Completion, whichever is the later date.

The Purchaser shall pay a monthly sum (subject to a minimum of HK\$100,000) towards repayment of the Intercompany Loan. For the avoidance of doubt, a failure by the Purchaser to pay such monthly sums shall not entitle the Vendors to call on the said corporate guarantee.

Non-competition

Pursuant to the Sale and Purchase Agreement, the Vendors undertake not to, inter alia carry out the same business carried out by Synergy Technologies or its subsidiary in any capacity in Hong Kong or Singapore for a period of 18 months from the date of Completion.

Having taking into account that (i) the principal business of the Group is carrying out in the PRC, (ii) there is no present intention or plan of the Company to focus its resources in the same business as Synergy Technologies in Hong Kong and Singapore in view of the relatively small market sizes and severely competitive environments; and (iii) the Subscription clause as detailed below provides future opportunity for the Company to participate in the said business, the Directors consider that the non-competition undertaking granted to the Purchaser will not restrict the operations, business scope and future expansion plans of the Company, and therefore, the undertaking is fair and reasonable and in the interests of the Shareholders.

Subscription

The Vendors, or their nominee(s), may at any time within a period of 24 months commencing from the date of Completion (the “**Period**”), apply to subscribe for new ordinary shares of less than 20% of the total number of issued and enlarged shares of Synergy Technologies (the “**Subscription**”) on the following terms and conditions:

- (i) if the Subscription is made within 12 months from the commencement date of the Period, the consideration will be based on the proportionate NAV of Synergy Technologies;

LETTER FROM THE BOARD

- (ii) if the Subscription is exercised after 12 months but within the remainder of the Period; the consideration will be based on the proportionate NAV of Synergy Technologies plus 5%; and
- (iii) on any other such terms and conditions the Purchaser and Vendors shall mutually agree in writing.

For the avoidance of doubt, NAV shall mean the excess of total assets over total liabilities of Synergy Technologies based on the latest available unaudited management accounts during the Period.

The Purchaser confirmed with other parties to the Sale and Purchase Agreement that pursuant to Clause 9 of the Sale and Purchase Agreement under the heading “Subscription”, the Vendors are not required to furnish a price, whether monetary or otherwise, to the Purchaser for the right to subscribe on the terms stated therein.

There is no cost attached to the right (but without obligation), for the Subscription and the Company is then open to a possible participation in the future business of Synergy Technologies as and when appropriate. In addition, given the fact that the consideration for the Disposal is at a premium of 13.83% over the NAV of Synergy Technologies of approximately HK\$2,530,000 as at 31 December 2008, the Directors consider that the consideration for exercising the Subscription based on proportionate NAV (or plus 5% during the last 12 months of the Period) of Synergy Technologies is in the interests of the Company and the Shareholders as a whole.

Upon exercise of the Subscription, the Company will comply with all relevant requirements under Chapter 14 and/or Chapter 14A of the Listing Rules.

Conditions precedent

Completion of the Disposal is subject to the following conditions precedent:

- (i) the completion of the due diligence investigations into the legal aspects, financial aspects, business, assets and the affairs of Synergy Technologies and its subsidiary conducted by the Purchaser and its professional advisers, and the results of such due diligence investigations being reasonably satisfactory to the Purchaser in its sole determination;
- (ii) save as disclosed in writing to the Purchaser, the warranties being complete, true and accurate in all respects;
- (iii) the Vendors, Synergy Technologies and its subsidiary having complied fully with and otherwise having performed all of the covenants and agreements required to be performed by each of them under the Sale and Purchase Agreement prior to Completion;
- (iv) the delivery to the Purchaser of a certified true copy of the resolutions by the board of directors and/or shareholders (as the case may be) of Synergy Technologies to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (v) all consents or approvals, if any, including but not limited to consents or approvals of any relevant holders of any pre-emptive rights or change of control restrictions in respect of the transfer of shares in Synergy Technologies, governmental authorities, regulatory bodies, banks or creditors in Hong Kong and other relevant jurisdictions, which are required for the entry into and the implementation of the Sale and Purchase Agreement and any transactions contemplated thereunder having been obtained;
- (vi) deliver to the Purchaser such documentary evidence that the share option agreement dated 29 December 2005 between Fortune Telecom Holdings Limited and Fong Kin Kiu has been terminated, and that Synergy Technologies is not required to issue any shares pursuant to the said option agreement; and
- (vii) the approval by the shareholders of the Purchaser at an extraordinary general meeting to be held on 14 August 2009 for the resolutions set out in the circular issued by Adventus Holdings Limited dated 29 July 2009 seeking shareholders' approvals for the expansion of the Purchaser's business scope.

The Purchaser (but not the Vendors) shall be entitled at its absolute discretion to waive compliance with any of the above conditions (other than the condition (vii)) by giving written notice to that effect to the Vendors.

If any of the above conditions shall not be fulfilled (or waived by the Purchaser) by the date of Completion, the Sale and Purchase Agreement shall terminate and shall be of no further effect except for certain clauses of the Sale and Purchase Agreement and no party to the Sale and Purchase Agreement shall have any liability to any other party under or in connection with the Sale and Purchase Agreement, except in respect of any antecedent breach thereof. In this respect, the Vendors shall refund the deposit of HK\$288,000 (excluding interest, in any) to the Purchaser without any deduction within five (5) Business Days by way of telegraphic transfer in immediately available funds to a bank account designated by the Purchaser in writing to the Vendors or such other means as the Purchaser may indicate to the Vendors in writing.

Completion

Completion is agreed to take place within 60 days from the date of the Sale and Purchase Agreement, conditional upon all the conditions pursuant to the Sale and Purchase Agreement being fulfilled and/or waived or such other date as parties to the Sale and Purchase Agreement may agree in writing, as well as an approval of the Shareholders to the Disposal being obtained in accordance with the Listing Rules. On 19 August 2009, the Company had obtained a written approval of the Disposal from Future 2000 Limited, which then held 188,300,013 Shares, representing approximately 50.51% in nominal value of the entire issued share capital of the Company as at that date. As all conditions for Completion are deemed fulfilled and/or waived, Completion has already taken place on 24 August 2009.

Upon due Completion on 24 August 2009, the Company has ceased to have any interest in Synergy Technologies and accordingly, Synergy Technologies ceased to be a subsidiary of the Company.

LETTER FROM THE BOARD

INFORMATION ON SYNERGY TECHNOLOGIES

Overview

Synergy Technologies is a limited liability company incorporated in Hong Kong in December 2000 with total number of 5,000,000 ordinary shares in issue at HK\$1.00 each and beneficially owned by Transaccess Technology Limited. As at the date of the Sale and Purchase Agreement, Transaccess Technology Limited was the registered legal owner of 4,999,999 shares in Synergy Technologies whilst Mr. Lau, the director of Synergy Technologies, the Chairman and Chief Executive Officer of the Company, was the registered legal owner of 1 ordinary share in Synergy Technologies which he held on trust for Transaccess Technology Limited pursuant to a declaration of trust dated 31 August 2006.

Synergy Technologies and its subsidiary are principally engaged in distribution and trading of mobile phones, digital products and provision of wireless broadband communication solutions in Hong Kong.

Financial Information

During the years ended 31 December 2007 and 2008, Synergy Technologies recorded:

- the audited net asset value of approximately HK\$940,000 and HK\$2,530,000 as at 31 December 2007 and 2008 respectively;
- the audited net profit before taxation and extraordinary items of approximately HK\$2,790,000 and HK\$1,880,000 for the year ended 31 December 2007 and 2008 respectively; and
- the audited net profit after taxation and extraordinary items of approximately HK\$2,790,000 and HK\$1,600,000 for the year ended 31 December 2007 and 2008 respectively.

INFORMATION ON THE VENDORS

Transaccess Technology Limited is a limited liability company incorporated in the British Virgin Islands in July 2000. It is an investment holding company with a registered capital of US\$100 and indirectly wholly-owned by the Company.

Mr. Lau is the director of Synergy Technologies, the Chairman and Chief Executive Officer of the Company as well as the director of Future 2000 Limited.

LETTER FROM THE BOARD

INFORMATION ON THE PURCHASER

Adventus Alliances & Solutions Pte Ltd. as the Purchaser is a limited liability company incorporated in Singapore that was principally involved in the trading and distribution of electronic parts. Since 2009, the Purchaser scaled down its electronics trading activities and engaged in the ad-hoc trading and distribution of telecommunication products including handsets and other accessories. The Purchaser is a wholly-owned subsidiary of Adventus Holdings Limited, a company that is listed on the Catalist Board.

The Catalist Board is the first sponsor-supervised listing platform in Asia for Singapore and international growth companies. Companies on the Catalist Board are brought to list by approved sponsors. There are no quantitative entry criteria required by the Singapore Stock Exchange. Instead, sponsors decide if the listing applicant is suitable to be listed. Further details of the Catalist Board can be found at <http://www.sgxcatalist.com/>.

GAIN OR LOSS ON THE DISPOSAL AND USE OF PROCEEDS

Based on the unaudited net asset value of Synergy Technologies of approximately HK\$3,000,000 as at 30 June 2009 and the amount of goodwill to be written off in the Group's account of approximately HK\$4,910,000 as at 31 December 2008, it is estimated that the Group will record a loss of approximately HK\$5,030,000 after the Disposal. Based on the latest audited financial information of the Group and Synergy Technologies and on a consolidation basis, it is estimated that the assets and liabilities of the Group will be reduced by approximately HK\$41,000,000 and HK\$34,000,000 respectively after the Disposal. Apart from the said loss after the Disposal, the earnings of the Group will be reduced by approximately HK\$1,970,000 after the Disposal. The Group intends to use the net proceeds from the Disposal as general working capital.

REASONS FOR ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Group is principally engaged in distribution and trading of mobile phones and related accessories and digital products in the PRC. With a view to diversifying the business of the Group, the Directors are actively looking for opportunities which will further enhance the Shareholders' value.

Although Synergy Technologies is profit-making, since (i) the competition of mobile phones trading business in Hong Kong is severely keen; (ii) the Group is aiming to focus its resources in the PRC market which offers more opportunity in terms of business volume, market size, expected business development and prospects; (iii) the Company has the right of Subscription to participate in the future business of Synergy Technologies; and (iv) the Disposal offers a good opportunity for the Company to dispose of its interest in Synergy Technologies for reallocating the financial resources realized therefrom, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable, and the entering into the Sale and Purchase Agreement is in the best interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the annual report of the Company for the year ended 31 December 2008, the fulfillment distribution business for Nokia Stores (“NS”) continues to be a core business of the Group in which the Group is appointed as the sole fulfillment distributor for NS in the PRC. Given the deterioration of the global economy in the latter half of 2008, this core business is still facing a very big challenge ahead.

As disclosed in an announcement of the Company dated 15 September 2009, based on the unaudited management accounts of the Group comprising the Company and its subsidiaries for the six months ended 30 June 2009, it is anticipated that the performance of the Group for such period, which records a profit, has improved significantly as compared with that in the corresponding period last year mainly due to the amounts recovered from previous provision made for accounts and other receivables.

In view of the leading position of Nokia in the mobile phone market in the PRC, the continued economic growth in the PRC, supported by a high internal consumption, together with the room for expansion in the penetration rate of mobile phone users in the PRC, the Group faces a huge market and great opportunities to move forward. The Group will continue to strengthen its existing relationships with the leading manufacturers and to look for new cooperation opportunities with all other manufacturers and operators with a view to establish a firm foundation for our future growth, based on our successful experience in the fulfillment distributorship business with Nokia.

Besides, the Company intends to explore to diversify its business portfolio into areas such as resources and PRC property developments with a view to further enhancing the Shareholders’ value. The Group has been actively looking for opportunities to achieve the aforesaid objective and contracted for the Mining Company Acquisition.

IMPLICATIONS OF THE LISTING RULES

The Disposal constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and will be subject to the approval by the Shareholders. Since no Shareholders or any of their associates (as defined under the Listing Rules) are required to abstain from voting if a general meeting is to be convened for the approval of the Disposal, the Company has obtained a written approval of the Disposal from Future 2000 Limited on 19 August 2009, which then held 188,300,013 Shares, representing approximately 50.51% in nominal value of the entire issued share capital of the Company as at that date, in lieu of holding a general meeting for the approval of the Disposal pursuant to Rule 14.44 of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned, and are in the interests of the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Fortune Holdings Limited
Lau Siu Ying
Chairman and Chief Executive Officer

A. INDEBTEDNESS OF THE GROUP

At the close of business on 31 July 2009, being the latest practicable date prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	HK\$'000	HK\$'000
The Group		
Unsecured bank loans	6,500	
Secured bank loans	30,000	
Unsecured amount due to a director (<i>note</i>)	1,641	
Unsecured amount due to an associate (<i>note</i>)	<u>500</u>	38,641
Sifa Mining		
Secured loan	14,010	
Unsecured amounts due to related parties (<i>note</i>)	<u>6,776</u>	<u>20,786</u>
		<u>59,427</u>

Note: Amounts are unsecured, interest-free and repayable on demand.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 31 July 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 July 2009.

B. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources and available credit facilities of the Enlarged Group, the Enlarged Group will have sufficient working capital for its requirements for the next twelve months from the date of this circular.

A. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

B. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions held by the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 interest and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Shares

Name of Director	Number of Shares interested	Capacity	Approximate % of total issued Shares of the Company
Mr. Lau	579,250,195 (L) (Note 1)		155.38%
	389,950,182	Beneficial owner	
	188,300,013	Interest of controlled corporation	
	1,000,000	Interest of spouse	
Chang Wing Seng, Victor	200,000 (L)	Beneficial owner	0.05%
Chen Yi Gang	100,000 (L)	Beneficial owner	0.03%
Fung Oi Ip, Alfonso	150,000 (L)	Beneficial owner	0.04%
Lo Wing Yat	100,000 (L)	Beneficial owner	0.03%
Luo Xi Zhi	100,000 (L)	Beneficial owner	0.03%
Wong Lit Chor, Alexis	100,000 (L)	Beneficial owner	0.03%

(L) denotes long position

Note 1: Of these 579,250,195 Shares:

- i. 389,950,182 Shares were beneficially owned by Mr. Lau, in which 2,000,000 Shares were options granted to Mr. Lau, 244,813,040 Shares were the consideration shares to be issued to Mr. Lau at completion pursuant to the Mining Company Acquisition and 142,857,142 Shares were the conversion shares to be issued to Mr. Lau upon exercise in full of the conversion rights attaching to the convertible bonds pursuant to the Mining Company Acquisition.
- ii. 188,300,013 Shares were held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn were held by a discretionary trust. The beneficiaries of the discretionary trust included Mr. Lau, his spouse and his children.
- iii. 1,000,000 Shares were options granted to Mr. Lau's spouse and therefore Mr. Lau was deemed to be interested pursuant to the SFO.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

C. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the parties (other than 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 to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Interest in the Shares

Name of substantial Shareholders	Capacity	Number of Shares held	Approximate % of total issued Shares of the Company
Future 2000 Limited (<i>Note 1</i>)	Beneficial owner	188,300,013(L) (<i>Note 2</i>)	50.51%
Lee Wai, Timothy (<i>Note 1</i>)	Interests of controlled corporation	188,300,013(L) (<i>Note 2</i>)	50.51%
Lau Hung Bing	Beneficial owner	31,901,630(L) (<i>Note 3</i>)	8.56%
Lau Kin Ying	Beneficial owner	30,601,630(L) (<i>Note 4</i>)	8.21%

(L) denotes long position

Note 1: Future 2000 Limited was wholly-owned by Mr. Lee Wai, Timothy as trustee of The Lau's Family Trust (being a discretionary trust) of which Mr. Lau, his spouse and their children were the current eligible beneficiaries but who did not have a fixed interests in the assets of the Lau's Family Trust.

Note 2: Mr. Lee Wai, Timothy owned the entire issued share capital in Future 2000 Limited and therefore was deemed to be interested in the Shares held by Future 2000 Limited pursuant to the SFO.

Note 3: Of these 31,901,630 Shares, 1,000,000 Shares were options granted to Mr. Lau Hung Bing and 30,601,630 Shares were the consideration shares to be issued to Mr. Lau Hung Bing at completion pursuant to the Mining Company Acquisition.

Note 4: These 30,601,630 Shares were the consideration shares to be issued to Mr. Lau Kin Ying at completion pursuant to the Mining Company Acquisition.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company were aware of any person (other than a Director or the chief executive of the Company or a member of the Group) who had 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 was, 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 or had any options in respect of such capital as at the Latest Practicable Date.

D. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

E. DIRECTORS' INTEREST IN ASSETS, CONTRACT OR ARRANGEMENT

Save and except Mr. Lau (i) being one of the vendors in the Mining Company Acquisition, and (ii) being a purchaser in a termination deed dated 15 June 2009 entered into with the Company in respect of disposal of 49% interest in Fortune Telecom (China) Distribution Limited engaged in handset distribution business, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2008 (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 are proposed to be acquired or disposed of by or leased to any member of the Group and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

F. LITIGATION

On 22 August 2007, Synergy Technologies has issued a Writ of Summons with general endorsement to claim for damages exceeding HK\$1 million against a Taiwanese company called Gigabyte Communications Inc (“GCI”) for breaches of distribution agreement and after-sale service agreement in Hong Kong. On 21 December 2007, Synergy Technologies received a claim for US\$216,560 for goods sold and delivered instituted by GCI in Taiwan. Lawyers had been engaged to deal with these proceeding. On 2 June 2009, Synergy Technologies and GCI entered into a settlement agreement in which Synergy Technologies and GCI agreed to waive all claims against each other and withdraw all lawsuits brought against each others.

Save as disclosed above and as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance were pending or threatened against any member of the Group.

G. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

H. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the Sale and Purchase Agreement;
- (b) the termination deed for the further acquisition dated 6 January 2009 in respect of the Mining Company Acquisition, regarding termination of a further acquisition of 10% interest in a mining company in the PRC;
- (c) the fourth supplemental agreement for the acquisition dated 6 January 2009 in respect of the Mining Company Acquisition, regarding the restructuring for the acquisition of 50.8% effective interest in a mining company in the PRC at a consideration of approximately HK\$398 million;
- (d) the confirmation letter dated 2 September 2008 in respect of the Mining Company Acquisition, regarding adjustments to compensation for shortfall of a profit guarantee;
- (e) the third supplemental agreement for the acquisition dated 27 August 2008 in respect of the Mining Company Acquisition, regarding variation to terms for the acquisition of 40.8% interest in a mining company in the PRC at a consideration of approximately HK\$319.6 million;

- (f) the supplemental agreement for the further acquisition dated 27 August 2008 in respect of the Mining Company Acquisition, regarding variation to terms for the acquisition of 10% interest in a mining company in the PRC at a consideration of approximately HK\$78.3 million;
- (g) the sales and purchase agreement dated 30 June 2008 relating to the disposal of DW Mobile Technology Limited;
- (h) the confirmation letters dated 21 December 2007 in respect of the Mining Company Acquisition, regarding removal of adjustment mechanism for profit guarantees;
- (i) the agreement for the further acquisition dated 12 November 2007 in respect of the Mining Company Acquisition, regarding acquiring a further 10% interest in a mining company in the PRC at a consideration of approximately HK\$90 million;
- (j) the supplemental agreement for the acquisition dated 1 November 2007 in respect of the Mining Company Acquisition, regarding variation in terms for the acquisition of 40.8% interest in a mining company in the PRC at a consideration of approximately HK\$367.2 million; and
- (k) the agreement dated 17 October 2007 and the termination deed dated 15 June 2009 made among the Company and Mr. Lau in respect of disposal of 49% interest in Fortune Telecom (China) Distribution Limited engaged in handset distribution business at a consideration of approximately HK\$57.82 million.

I. GENERAL

- (a) The secretary of the Company is Mr. Cheng Ka Chung. Mr. Cheng is a full member of the Hong Kong Institute of Certified Public Accountants.
- (b) The auditor of the Company is Messrs. Deloitte Touche Tohmatsu.
- (c) The registered office of the Company is located at Clarendon House, 2 Church Street Hamilton HM 11, Bermuda.
- (d) The principal office and head office of the Company is located at Room 1505-7, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong.
- (e) The share registrar of the Company in Hong Kong is Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

J. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the place of business of the Company at Room 1505-7, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong during normal business hours on any business day for a period of 14 days commencing from the date of this circular:

- (a) the bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (c) the annual reports of the Group for the two financial years ended 31 December 2007 and 2008;
- (d) the copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since 31 December 2008.