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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

**(1) ADJOURNMENT OF THE EXTRAORDINARY GENERAL MEETING
AND
(2) AMENDED PROPOSAL FOR SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
CONNECTED TRANSACTION**

References are made to the Previous Circular and the EGM Notice both dated 7 October 2016, the announcement of the Company dated 27 October 2016 relating to the proposal to adjourn the EGM and the announcement of the Company dated 31 October 2016 relating to the poll results of the EGM held on 31 October 2016 where the adjournment of the EGM was approved.

ADJOURNMENT OF THE EXTRAORDINARY GENERAL MEETING

As disclosed in the announcement of the Company dated 27 October 2016, the EGM was intended to be adjourned to a date no later than 30 November 2016 in order to provide more time for the Shareholders to consider the information as disclosed in the Previous Circular. A resolution regarding to such adjournment of the EGM to a time, date and place until further notice by the Company was duly passed at the EGM held on 31 October 2016.

However, due to the amended proposal relating to the structure of the Previous Subscription, details of which are set out in this announcement below, it is no longer necessary for the proposed resolutions set forth in the EGM Notice to be proposed and transacted at the EGM. As such, the EGM will be adjourned sine die (without a date, i.e. indefinitely).

AMENDED PROPOSAL FOR SUBSCRIPTION OF CONVERTIBLE BONDS

As disclosed in the Previous Circular, it is expected that the introduction of the strategic investors under the Previous Subscription is a valuable opportunity for the expansion of the scale of business of the Company. In light of Mr. Xie's strong background, expertise and renowned status in the financial services industry in the PRC and his contribution to the Company, China Cinda, a substantial shareholder of the Company, which as at the date of this announcement, through Mankind Investment, is interested in approximately 12.38% shareholding interests in the Company, has expressed its interest to the Board to commit further funding to the Company and to increase its shareholding interests in the Company.

After arm's length negotiation between the Company, China Cinda and the Subscriber (a company that is currently wholly owned by Best Fortress which in turn is owned as to 90% by Mr. Yip and 10% by Mr. Chung), certain terms and structure of the Previous Subscription have been amended and it has been agreed among the Company, China Cinda, the Subscriber and Riverhead Capital (a company that is owned as to 80% by Mr. Xie and 20% by Ms. Xie Juhan), on 22 November 2016, the Company entered into:

- (i) the Cinda Subscription Agreement with Mankind Investment, a wholly-owned subsidiary of China Cinda, in respect of the issue of the Cinda Convertible Bonds in the principal amount of HK\$110,754,000;
- (ii) the Supplemental Agreement with the Subscriber to amend and supplement the terms and structure of the Previous Subscription. Under the amended structure, the Subscriber will subscribe for the PAL Convertible Bonds in the principal amount of HK\$153,585,000; and
- (iii) as part of the amendment to the Previous Subscription, the Riverhead Subscription Agreement with Riverhead Capital, a company which is owned as to 80% by Mr. Xie and 20% by Ms. Xie Juhan, in respect of the issue of the Riverhead Convertible Bonds in the principal amount of HK\$305,661,000 which will be issued in four tranches in the principal amount of HK\$125,661,000, HK\$60,000,000, HK\$60,000,000 and HK\$60,000,000 respectively subject to certain terms and conditions of the Riverhead Subscription Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mankind Investment held approximately 12.38% of the entire issued share capital of the Company and is thus a substantial shareholder of the Company. Accordingly, Mankind Investment is a connected person of the Company under the Listing Rules and the Cinda Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The New EGM will be convened for the Shareholders to consider and, if thought fit, to approve (i) the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement and the transactions respectively contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) the Capital Reorganisation.

As at the date of this announcement, Mankind Investment held approximately 12.38% of the entire issued share capital of the Company and is thus a substantial shareholder of the Company. Accordingly, Mankind Investment is a connected person of the Company under the Listing Rules and it will abstain from voting on the relevant ordinary resolutions to be proposed at the New EGM to approve the New Subscription and the Specific Mandate.

A circular containing, among other things, (i) further details of the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement; (ii) further details of the Capital Reorganisation; (iii) a letter of advice from the Independent Board Committee in relation to the New Subscription and the Specific Mandate; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the New Subscription and the Specific Mandate; and (v) the notice of the New EGM, will be despatched to the Shareholders on or before 13 December 2016.

References are made to the Previous Circular and the EGM Notice both dated 7 October 2016, the announcement of the Company dated 27 October 2016 relating to the proposal to adjourn the EGM and the announcement of the Company dated 31 October 2016 relating to the poll results of the EGM held on 31 October 2016 where the adjournment of the EGM was approved.

ADJOURNMENT OF THE EXTRAORDINARY GENERAL MEETING

As disclosed in the announcement of the Company dated 27 October 2016, the EGM was intended to be adjourned to a date no later than 30 November 2016 in order to provide more time for the Shareholders to consider the information as disclosed in the Previous Circular. A resolution regarding to such adjournment of the EGM to a time, date and place until further notice by the Company was duly passed at the EGM held on 31 October 2016.

However, due to the amended proposal relating to the structure of the Previous Subscription, details of which are set out in this announcement below, it is no longer necessary for the proposed resolutions set forth in the EGM Notice to be proposed and transacted at the EGM. As such, the EGM will be adjourned sine die (without a date, i.e. indefinitely).

AMENDED PROPOSAL FOR SUBSCRIPTION OF CONVERTIBLE BONDS

As disclosed in the Previous Circular, it is expected that the introduction of the strategic investors under the Previous Subscription is a valuable opportunity for the expansion of the scale of business of the Company. In light of Mr. Xie's strong background, expertise and renowned status in the financial services industry in the PRC and his valuable contribution to the Company in the future, China Cinda, a substantial shareholder of the Company, which as at the date of this announcement, through Mankind Investment, is interested in approximately 12.38% shareholding interests in the Company, has expressed its interest to the Board to commit further funding to the Company and to increase its shareholding interests in the Company.

After arm's length negotiation among the Company, China Cinda and the Subscriber (a company that is currently wholly owned by Best Fortress which in turn is owned as to 90% by Mr. Yip and 10% by Mr. Chung), certain terms and structure of the Previous Subscription have been amended and the total principal amount of the Convertible Bonds of HK\$390,000,000 has been reallocated among China Cinda (through Mankind Investment), the Subscriber and Riverhead Capital (a company which is owned as to 80% by Mr. Xie and 20% by Ms. Xie Juhan) under the Cinda Subscription, the PAL Subscription and the Riverhead Subscription, respectively. In addition to the original principal amount of HK\$390,000,000, pursuant to the Riverhead Subscription Agreement, Riverhead Capital also agreed to enter into the Riverhead Subscription II.

As a result, on 22 November 2016, the Company entered into:

- (i) the Cinda Subscription Agreement with Mankind Investment, an indirect wholly-owned subsidiary of China Cinda, in respect of the issue of the Cinda Convertible Bonds in the principal amount of HK\$110,754,000;
- (ii) the Supplemental Agreement with the Subscriber to amend and supplement the terms and structure of the Previous Subscription. Under the amended structure, the Subscriber will subscribe for the PAL Convertible Bonds in the principal amount of HK\$153,585,000; and
- (iii) as part of the amendment to the Previous Subscription, the Riverhead Subscription Agreement with Riverhead Capital in respect of the issue of the Riverhead Convertible Bonds in the principal amount of HK\$305,661,000 which will be issued in four tranches in the principal amount of HK\$125,661,000, HK\$60,000,000, HK\$60,000,000 and HK\$60,000,000 respectively subject to certain terms and conditions of the Riverhead Subscription Agreement

The Conversion Shares in respect of the New Subscription, upon conversion of the New Convertible Bonds, will be allotted and issued under the Specific Mandate to be sought for approval from the Shareholders at the New EGM.

Details of the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement and the terms of the New Convertible Bonds are set out below.

THE CINDA SUBSCRIPTION AGREEMENT

Date: 22 November 2016

Parties:

Issuer: the Company

Subscriber: Mankind Investment, a substantial shareholder of the Company which as at the date of this announcement held approximately 12.38% shareholding interests in the Company

Principal Terms and Conditions of the Cinda Convertible Bonds

The principal terms and conditions of the Cinda Convertible Bonds are summarised as follows:

Issuer: the Company

Holder: Mankind Investment

Principal Amount: HK\$110,754,000

Issue Price: 100% at the full face value of the Cinda Convertible Bonds

Status: The Cinda Convertible Bonds constitute a direct unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other unsecured and unsubordinated obligations of the Company. The payment obligations of the Company under the Cinda Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Form and Denomination: The Cinda Convertible Bonds will be issued in registered form in denomination of HK\$1,000 each. The certificate will be issued to Mankind Investment in respect of its registered holding of the Cinda Convertible Bonds.

Interest:	2% per annum (on the basis of a 365-day year, or a 366-day in a leap year) on the outstanding principal amount of the Cinda Convertible Bonds which shall be payable on the maturity date of the Cinda Convertible Bonds.
Interest Period:	The period of three years commencing from (and including) the date of issue of the Cinda Convertible Bonds to (but excluding) the maturity date of the Cinda Convertible Bonds.
Maturity Date:	The date falling on the third (3rd) anniversary of the date of issue of the Cinda Convertible Bonds
Conversion Price:	HK\$0.06 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Cinda Convertible Bonds.

The initial Conversion Price of HK\$0.06 per Conversion Share was determined after arm's length negotiations between the Company and Mankind Investment with reference to the prevailing market price of the Shares, and represents:

1. a discount of approximately 63.0% to the closing price of HK\$0.1620 per Share, based on the closing price as quoted on the Stock Exchange on the date of the Previous CB Subscription Agreement;
2. a discount of approximately 63.9% to the average closing price of HK\$0.1664 per Share, based on the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Previous Subscription Last Trading Day;
3. a discount of approximately 63.7% to the average closing price of HK\$0.1654 per Share, based on the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Previous Subscription Last Trading Day;
4. a discount of approximately 82.9% to the closing price of HK\$0.3500 per Share, based on the closing price as quoted on the Stock Exchange on the Last Trading Day;

5. a discount of approximately 81.4% to the average closing price of HK\$0.3220 per Share, based on the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
6. a discount of approximately 81.2% to the average closing price of HK\$0.3190 per Share, based on the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.
7. a premium of approximately 105.5% over HK\$0.0292 per Share, based on the consolidated net asset value attributable to the owners of the Company of HK\$108,665,000 as at 31 March 2016 as extracted from the annual report of the Group for the year ended 31 March 2016 (based on the number of issued Shares as at the date of this announcement).

Assuming conversion of the Cinda Convertible Bonds into Conversion Shares in full at the initial Conversion Price, the net price per Conversion Share to the Company is HK\$0.059.

Adjustment events:

The Conversion Price is subject to adjustments in accordance with the terms and conditions set out in the Cinda Convertible Bonds if any of the following specific events occurs:

- (a) where there is an alteration to the nominal amount of a New Share by reason of any consolidation or subdivision;
- (b) where the Company issues (other than in lieu of a cash dividend) any New Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

- (c) where the Company makes (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its own New Shares which is permitted by law and by the rules of the Stock Exchange and in accordance with the provisions of the Company's memorandum and articles of association) any capital distribution (including distributions in cash or specie, and any dividend charged or provided for in the accounts for any financial period) to the Shareholders (in their capacity as such) or grants to the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;
- (d) where the Company offers to the Shareholders New Shares for subscription by way of rights, or grants to the Shareholders any options or warrants to subscribe for New Shares at a price per New Share which is less than 90% of the market price (as defined in the Cinda Convertible Bonds) as at the date of the announcement of the terms of the offer or grant;
- (e) where the Company or any other company issues wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of conversion for New Shares, and the total effective consideration (as defined in the Cinda Convertible Bonds) per New Share initially receivable for such securities is less than 90% of the market price (as defined in the Cinda Convertible Bonds) as at the date of the announcement of the terms of issue of such securities;
- (f) where the rights of conversion or exchange attached to any such securities as mentioned in sub-paragraph (e) above are modified so that the total effective consideration (as defined in the Cinda Convertible Bonds) per New Share initially receivable for such securities shall be less than 90% of the market price (as defined in the Cinda Convertible Bonds) as at the date of announcement of the proposal to modify such rights of conversion or exchange;
- (g) where the Company issues wholly for cash any New Shares at a price per New Share which is less than 90% of the market price as at the date of the announcement of the terms of such issue; or

- (h) where the Company shall be permitted by law and, by the rules of the Stock Exchange and in accordance with the provisions of its memorandum and articles of association, purchases and makes an offer or invitation to Shareholders to tender for sale to the Company any New Shares or if the Company purchases any New Shares or securities convertible into New Shares or any rights to acquire New Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the SFC or equivalent authority and the Stock Exchange).

Notwithstanding the specific adjustment events set out above, in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the relevant provisions set out in the terms of Cinda Convertible Bonds should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under such relevant provisions set out in the Cinda Convertible Bonds or that such adjustment shall take effect on a different date or at a different time from that provided under such relevant provisions, the Company shall appoint an approved merchant bank or the auditors of the Company to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the auditors of the Company consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment takes effect on a different date and/or time as shall be certified by such approved merchant bank or the auditors of the Company to be in its opinion appropriate.

Whenever the Conversion Price is adjusted, the Company will give notice to the holders of the Cinda Convertible Bonds (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and will at all times until conversion date make available for inspection by them, among other things, a signed certificate of the auditors of the Company or (as the case may be) of the relevant approved merchant bank and a certificate signed by a Director setting out brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof. The Company will make announcement(s) on any adjustment to the Conversion Price.

Conversion Rights:

Holder of the Cinda Convertible Bonds will have the right, during the period commencing on the date of issue of the Cinda Convertible Bonds and ending on the third (3rd) Business Day prior to the maturity date of the Cinda Convertible Bonds, to convert the Cinda Convertible Bonds in whole or in part of the outstanding principal amount of the Cinda Convertible Bonds into Conversion Shares, provided that the exercise of the Conversion Rights will not result in:

- (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the holder of the Cinda Convertible Bonds and/or parties acting in concert (as defined in the Takeovers Code) with such holder;
- (b) the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public; or
- (c) the holder of the Cinda Convertible Bonds exercising the Conversion Right, by itself or together with the parties acting in concert with it, holding 20% or more of the enlarged issued share capital of the Company upon conversion of the Cinda Convertible Bonds being converted by such holder of the Cinda Convertible Bonds.

Conversion Shares: 1,845,900,000 Conversion Shares would be in issue on full conversion of the Cinda Convertible Bonds, had the Capital Reorganisation become effective (subject to adjustments to the Conversion Price).

Redemption: The Company shall redeem the Cinda Convertible Bonds by repaying the holder(s) of the Cinda Convertible Bonds all outstanding principal amount and accrued interests of the Cinda Convertible Bonds on the maturity date of the Cinda Convertible Bonds. No interest shall be paid on the amount of the Cinda Convertible Bonds which has been converted into Conversion Shares prior to the maturity date of the Cinda Convertible Bonds.

Transferability: The Cinda Convertible Bonds are transferable except that no Cinda Convertible Bonds shall be transferred to any person who:

- (a) is not independent of the Group or the connected persons of the Company (unless otherwise permitted with prior written consent of the Company); or
- (b) is a party acting in concert (as defined in the Takeovers Code) with any person or Shareholder to the effect that any transfer of the Cinda Convertible Bonds to such transferee(s) and/or the exercise by such transferee(s) of any conversion right attaching to the Cinda Convertible Bonds subject to such transfer will trigger the mandatory offer obligation under Rule 26.1 of the Takeovers Code.

During the period of twelve months commencing from the date of issuance of the Cinda Convertible Bonds, the holder of the Cinda Convertible Bonds shall not dispose of or transfer or enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of any of the Conversion Shares issued pursuant to the exercise of any conversion right to dispose of or otherwise any of the Conversion Shares issued pursuant to the exercise of any conversion rights by that holder of the Cinda Convertible Bonds. After the abovementioned 12-month period, the Conversion Shares shall be transferable provided that the transfers of the Conversion Shares are in compliance with all rules and requirements under the Listing Rules and laws and regulations applicable to the Company and/or registered holder(s) of the Conversion Shares.

Ranking of Conversion Shares:	The Conversion Shares allotted and issued upon conversion of the Cinda Convertible Bonds will in all respects rank pari passu in all respects with the New Shares already in issue on the conversion date.
Listing:	No application will be made by the Company for the listing of the Cinda Convertible Bonds on the Stock Exchange. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be issued upon the conversion of the Cinda Convertible Bonds.

The principal amount of the Cinda Convertible Bonds and the initial Conversion Price were determined by the Company and Mankind Investment after arm's length negotiations by reference to, among other things, the initial Conversion Price of the Previous Subscription, the liquidity, the historical trading prices of the Shares, the consolidated net asset value and the financial performance of the Group for the year ended 31 March 2016.

Conditions Precedent

Completion of the Cinda Subscription Agreement is conditional upon the fulfilment (or otherwise waived by the Company or Mankind Investment (as the case may be) in writing, to the extent such conditions precedent may be waived) of the following conditions precedent:

- (a) to the extent not waived or consented to by or the requisite approval or ruling not obtained from the relevant regulatory or governmental authorities, compliance by each of the Company and Mankind Investment of all applicable laws and regulations, including but not limited to those under the Listing Rules, (if applicable) the Takeovers Code, the Companies Ordinance and the laws and regulations of each party's jurisdiction of incorporation;
- (b) the conditions precedent of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) requiring the fulfilment of the conditions precedent of the Cinda Subscription Agreement);
- (c) the conditions precedent of the Riverhead Subscription Agreement are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the Riverhead Subscription Agreement requiring the fulfilment of the conditions precedent of the Cinda Subscription Agreement);

- (d) the passing by the requisite majority of Shareholders or independent Shareholders (as appropriate) of the Company in the New EGM of all resolutions required under relevant laws and regulations, including but not limited to the Listing Rules and the applicable laws of the transactions contemplated thereunder, including, without limitation, the Capital Reorganisation, the Specific Mandate and the Cinda Subscription Agreement and the transactions contemplated thereunder;
- (e) the granting of the approval for the listing of, and permission to deal in the Conversion Shares by the Listing Committee;
- (f) the entering into of a two-year term loan agreement by China Cinda (HK) Asset Management Co., Ltd in favour of the Company in relation to an unconditional and irrevocable cash loan of HK\$800,000,000 at an interest rate of 6% per annum available for drawdown by the Company within a specified period which shall not be less than 24 months; and the fulfilment of all conditions precedent to the completion of such loan agreement;
- (g) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Stock Exchange, the SFC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the Cinda Subscription and all matters contemplated thereunder having been obtained or made, if any;
- (h) all the representations and warranties contained in the Cinda Subscription Agreement in relation to the Company and Mankind Investment remain true, accurate and not misleading when made, and being true, accurate and not misleading on and as of the date of the completion of the Cinda Subscription;
- (i) no material adverse change having occurred in respect of the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of the Group; and
- (j) the Capital Reorganisation becoming effective.

The Company shall use its reasonable endeavours to procure the satisfaction of the above conditions precedent (except for paragraph (f) above and unless otherwise waived by Mankind Investment). Mankind Investment shall use its reasonable endeavours to procure the satisfaction of the conditions precedent set out in paragraphs (a), (g) and (h) above (in all cases, with respect to Mankind Investment) (unless otherwise waived by the Company).

The conditions precedent in paragraphs (h) (in respect of the Company) and (i) above may be waived by Mankind Investment (in whole or in part) and the conditions precedent in paragraphs (h) (in respect of Mankind Investment) may be waived by the Company (in whole or in part). No other conditions precedent may be unilaterally waived by the Company or Mankind Investment.

If the above conditions precedent are unfulfilled or, if applicable, waived on or prior to the Long Stop Date, all obligations of the Company and Mankind Investment shall cease and determine immediately on the Long Stop Date and none of the Company and Mankind Investment (nor any of their respective affiliates) shall have any claim against the other (or any of their respective affiliates) except in respect of any rights and liabilities which have accrued prior to termination.

Completion of the Cinda Subscription

Completion shall take place in Hong Kong on the fifth (5th) Business Day following the date on which the conditions precedent set out in the Cinda Subscription Agreement are fulfilled and/or waived (or such other date as the parties may agree).

THE SUBSCRIPTION AGREEMENT

Date: 22 November 2016

Parties:

Issuer: the Company

Subscriber: the Subscriber

To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and are not connected with the Company under the Listing Rules. The Subscriber is a company incorporated in the BVI and is principally engaged in investment holding.

The principal terms of the PAL Convertible Bonds are set out below:

Issuer: the Company

Holder: the Subscriber

Principal Amount: HK\$153,585,000

Issue Price:	100% at the full face value of the PAL Convertible Bonds
Conversion Rights:	Holder of the PAL Convertible Bonds will have the right, during the period commencing on the date of issue of the PAL Convertible Bonds up to and ending on the third (3rd) Business Day prior to the maturity date of the PAL Convertible Bonds, to convert the PAL Convertible Bonds in whole or in part of the outstanding principal amount of the PAL Convertible Bonds into Conversion Shares, provided that the exercise of the Conversion Rights will not result in: (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the holder of the PAL Convertible Bonds and/or parties acting in concert (as defined in the Takeovers Code) with such holder; or (b) the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public.
Conversion Price:	HK\$0.06 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the PAL Convertible Bonds. Assuming conversion of the PAL Convertible Bonds into Conversion Shares in full at the initial Conversion Price, the net price per Conversion Share to the Company is HK\$0.059.
Conversion Shares:	2,559,750,000 Conversion Shares would be in issue on full conversion of the PAL Convertible Bonds, had the Capital Reorganisation become effective (subject to adjustments to the Conversion Price).

The principal amount of the PAL Convertible Bonds and the initial Conversion Price were determined by the Company and the Subscriber after arm's length negotiations by reference to, among other things, the initial Conversion Price of the Previous Subscription, the liquidity, the historical trading prices of the Shares, the consolidated net asset value and the financial performance of the Group for the year ended 31 March 2016.

Save for the above, the principal terms of the PAL Convertible Bonds are the same as the Cinda Convertible Bonds.

Conditions Precedent

Completion of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) is conditional upon the fulfilment (or otherwise waived by the Company or the Subscriber (as the case may be) in writing, to the extent such conditions precedent may be waived) of the following conditions precedent:

- (a) to the extent not waived or consented to by or the requisite approval or ruling not obtained from the relevant regulatory or governmental authorities, compliance by each party of all applicable laws and regulations, including but not limited to those under the Listing Rules, (if applicable) the Takeovers Code, the Companies Ordinance and the laws and regulations of each party's jurisdiction of incorporation;
- (b) the conditions precedent of the Cinda Subscription Agreement are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the Cinda Subscription Agreement requiring the fulfilment of the conditions precedent of the Subscription Agreement);
- (c) the conditions precedent of the Riverhead Subscription Agreement are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the Riverhead Subscription Agreement requiring the fulfilment of the conditions precedent of the Subscription Agreement);
- (d) the passing by the requisite majority of Shareholders or independent Shareholders (as appropriate) of the Company in a general meeting of all resolutions required under relevant laws and regulations, including but not limited to the Listing Rules and the applicable laws of the transactions contemplated hereunder, including without limitation, the Capital Reorganisation and the Specific Mandate;
- (e) the granting of the approval for the listing of, and permission to deal in the Conversion Shares by the Listing Committee;
- (f) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Stock Exchange, the SFC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the PAL Subscription and all matters contemplated thereunder having been obtained or made, if any;

- (g) all the representations and warranties contained in the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) in relation to the Company and the Subscriber remain true, accurate in all material respects and not misleading when made, and being true, accurate in all material respects and not misleading on and as of the date of the completion of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement);
- (h) no material adverse change having occurred in respect of the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of the Group; and
- (i) the Capital Reorganisation becoming effective.

The Company shall use its reasonable endeavours to procure the satisfaction of the above conditions precedent (unless otherwise waived by the Subscriber). The Subscriber shall use its reasonable endeavours to procure the satisfaction of the conditions precedent set out in paragraphs (a), (f) and (g) above (unless otherwise waived by the Company).

The conditions precedent in paragraphs (g) (in respect of the Company) and (h) above may be waived by the Subscriber (in whole or in part) and the conditions precedent in paragraph (g) (in respect of the Subscriber) may be waived by the Company (in whole or in part). No other conditions may be unilaterally waived by the Company or the Subscriber.

If the above conditions precedent are unfulfilled or, if applicable, waived on or prior the Long Stop Date, all obligations of the Company and the Subscriber shall cease and determine immediately on the Long Stop Date and none of the Company and the Subscriber (nor any of their respective affiliates) shall have any claim against the other (or any of their respective affiliates) except in respect of any rights and liabilities which have accrued prior to termination.

Pursuant to the Subscription Agreement, no PAL Convertible Bonds shall be converted by the Subscriber during the first twenty-four (24) months from the date of issue of the PAL Convertible Bonds.

THE RIVERHEAD SUBSCRIPTION AGREEMENT

Date: 22 November 2016

Parties:

Issuer: the Company

Subscriber: Riverhead Capital

To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, Riverhead Capital and its ultimate beneficial owner(s) are third parties independent of and are not connected with the Company under the Listing Rules. Riverhead Capital is a company incorporated in the Cayman Islands and is principally engaged in investment holding.

Principal Terms and Conditions of the Riverhead Convertible Bonds

The principal terms and conditions of the Riverhead Convertible Bonds are summarised as follows:

Issuer: the Company

Holder: Riverhead Capital

Aggregate Principal Amount: an aggregate principal amount of up to HK\$305,661,000, comprises four tranches with a principal amount of HK\$125,661,000 for the Tranche 1 Bonds, a principal amount of HK\$60,000,000 for the Tranche 2 Bonds, a principal amount of HK\$60,000,000 for the Tranche 3 Bonds and a principal amount of HK\$60,000,000 for the Tranche 4 Bonds

Issue Price:

- (a) 100% at the full face value of the Tranche 1 Bonds (i.e. HK\$125,611,000);
- (b) 100% at the full face value of the Tranche 2 Bonds (i.e. HK\$60,000,000);
- (c) 100% at the full face value of the Tranche 3 Bonds (i.e. HK\$60,000,000); and
- (d) 100% at the full face value of the Tranche 4 Bonds (i.e. HK\$60,000,000).

Conversion Rights:	Holder of the Riverhead Convertible Bonds will have the right, during the period commencing on the date of issue of each tranche of the Riverhead Convertible Bonds up to and ending on the third (3rd) Business Day prior to their respective maturity dates, to convert the Riverhead Convertible Bonds in whole or in part of the outstanding principal amount of the Riverhead Convertible Bonds into Conversion Shares, provided that the exercise of the Conversion Rights will not result in: (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the holder of the Riverhead Convertible Bonds and/or parties acting in concert (as defined in the Takeovers Code) with such holder; or (b) the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public.
Conversion Price:	HK\$0.06 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Riverhead Convertible Bonds. Assuming conversion of the Riverhead Convertible Bonds into Conversion Shares in full at the initial Conversion Price, the net price per Conversion Share to the Company is HK\$0.059.
Conversion Shares:	5,094,350,000 Conversion Shares would be in issue on full conversion of the Riverhead Convertible Bonds, had the Capital Reorganisation become effective (subject to adjustments to the Conversion Price).

Restriction to the transfer of Conversion Shares:	During the period of twelve months commencing from the date of issuance of the Riverhead Convertible Bonds, the holder of the Riverhead Convertible Bonds shall not dispose of or transfer or enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of any of the Conversion Shares issued pursuant to the exercise of any conversion right by that holder of the Riverhead Convertible Bonds. After the abovementioned 12-month period, the Conversion Shares shall be transferable provided that the transfers of the Conversion Shares are in compliance with all rules and requirements under the Listing Rules and laws and regulations applicable to the Company and/or registered holder(s) of the Conversion Shares.
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The principal amount of the Riverhead Convertible Bonds and the initial Conversion Price were determined by the Company and Riverhead Capital after arm's length negotiations by reference to, among other things, the initial Conversion Price of the Previous Subscription, the liquidity, the historical trading prices of the Shares, the consolidated net asset value and the financial performance of the Group for the year ended 31 March 2016.

Save for the above, the principal terms of the Riverhead Convertible Bonds are the same as the Cinda Convertible Bonds.

Conditions Precedent

Completion of the Riverhead Subscription Agreement is conditional upon the fulfilment (or otherwise waived by the Company or Riverhead Capital (as the case may be) in writing, to the extent such conditions precedent may be waived) of the following conditions precedent:

- (a) to the extent not waived or consented to by or the requisite approval or ruling not obtained from the relevant regulatory or governmental authorities, compliance by each party of all applicable laws and regulations, including but not limited to those under the Listing Rules, (if applicable) the Takeovers Code, the Companies Ordinance and the laws and regulations of each party's jurisdiction of incorporation on the Tranche 1 Closing, the Tranche 2 Closing, the Tranche 3 Closing or the Tranche 4 Closing (as the case may be);
- (b) the conditions precedent of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) requiring the fulfilment of the conditions precedent of the Riverhead Subscription Agreement);

- (c) the conditions precedent of the Cinda Subscription Agreement are all satisfied, or waived (if applicable) (other than the fulfilment of any condition in the Cinda Subscription Agreement requiring the fulfilment of the conditions precedent of the Riverhead Subscription Agreement);
- (d) the passing by the requisite majority of Shareholders or independent Shareholders (as appropriate) of the Company in a general meeting of all resolutions required under relevant laws and regulations, including but not limited to the Listing Rules and the applicable laws of the transactions contemplated hereunder, including without limitation, the Capital Reorganisation and the Specific Mandate;
- (e) the granting of the approval for the listing of, and permission to deal in the Conversion Shares to be issued upon the conversion of the Tranche 1 Bonds, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds (as the case may be) by the Listing Committee;
- (f) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Stock Exchange, the SFC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the issue of the Tranche 1 Bonds, the Tranche 2 Bonds, the Tranche 3 Bonds or the Tranche 4 Bonds (as the case may be) and all matters contemplated thereunder having been obtained or made, if any;
- (g) all the representations and warranties contained in the Riverhead Subscription Agreement in relation to the Company and Riverhead Capital remain true, accurate in all material respects and not misleading when made, and being true, accurate in all material respects and not misleading on and as of the Tranche 1 Closing, the Tranche 2 Closing, the Tranche 3 Closing or the Tranche 4 Closing (as the case may be);
- (h) no material adverse change having occurred in respect of the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of the Group from the date of the Riverhead Subscription Agreement until the Tranche 1 Closing, the Tranche 2 Closing, the Tranche 3 Closing or the Tranche 4 Closing (as the case may be);
- (i) the Capital Reorganisation becoming effective;
- (j) in respect of the Tranche 2 Bonds only, completion of the Tranche 1 Bonds in accordance with the terms and conditions of the Riverhead Subscription Agreement;

- (k) in respect of the Tranche 3 Bonds only, (i) completion of the Tranche 2 Bonds in accordance with the terms and conditions of the Riverhead Subscription Agreement; (ii) both (a) the consolidated total assets of the Group as of 31 March 2018 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but giving pro forma effect to (x) the issuance and subscription of the convertible bonds under the Cinda Subscription Agreement, the Riverhead Subscription Agreement (as to the Tranche 1 Bonds and the Tranche 2 Bonds only) and the Subscription Agreement (as amended and supplemented and the Supplemental Agreement) and (y) the exclusion of the cash loan provided by China Cinda (HK) Asset Management Co., Ltd in favour of the Company under the Cinda Subscription Agreement) represents an increase of 30% or more as compared to the consolidated total assets of the Group as of 31 March 2017 prepared on the same basis and (b) the revenue of the Group for the year ending 31 March 2018 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but excluding extraordinary items and any fair value changes regarding any issued and outstanding convertible bonds of the Company) represents a growth rate of not less than 30% when compared to the revenue of the Group (prepared on the same basis) for the financial year ending 31 March 2017; and (iii) the compliance with all applicable requirements under the Listing Rules by the Company; and
- (l) in respect of the Tranche 4 Bonds only, (i) completion of the Tranche 2 Bonds in accordance with the terms and conditions of the Riverhead Subscription Agreement; (ii) both (a) the consolidated total assets of the Group as of 31 March 2019 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but giving pro forma effect to (x) the issuance and subscription of the convertible bonds under the Cinda Subscription Agreement, the Riverhead Subscription Agreement (as to the Tranche 1 Bonds, the Tranche 2 Bonds and the Tranche 3 Bonds (if any) only) and the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and (y) the exclusion of the cash loan provided by China Cinda (HK) Asset Management Co., Ltd in favour of the Company under the Cinda Subscription Agreement) represents an increase of 30% or more as compared to the consolidated total assets of the Group as of 31 March 2018 prepared on the same basis and (b) the revenue of the Group for the year ending 31 March 2019 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but excluding extraordinary items and any fair value changes regarding any issued and outstanding convertible bonds of the Company) represents a growth rate of not less than 30% when compared to the revenue of the Group (prepared on the same basis) for the financial year ending 31 March 2018; and (iii) the compliance with all applicable requirements under the Listing Rules by the Company; and
- (m) the appointment of Mr. Xie as a Director and chairman of the Board.

The Company shall use its reasonable endeavours to procure the satisfaction of the above conditions precedent (unless otherwise waived by Riverhead Capital) on each of the First Closing Date, the Second Closing Date, the Third Closing Date and the Fourth Closing Date. Riverhead Capital shall use its reasonable endeavours to procure the satisfaction of the above conditions precedent (a), (f) and (g) (unless otherwise waived by the Company) on each of the First Closing Date, the Second Closing Date, the Third Closing Date and the Fourth Closing Date.

The conditions precedent (g) (in respect of the Company) and (h) may be waived by Riverhead Capital (in whole or in part) and the conditions precedent (g) (in respect of Riverhead Capital) may be waived by the Company (in whole or in part). No other conditions may be unilaterally waived by the Company and Riverhead Capital. For the avoidance of doubt, the waiver of conditions precedent in respect of the Tranche 1 Bonds shall not be an implied waiver of conditions precedent in respect of the Tranche 2 Bonds, the Tranche 3 Bonds or the Tranche 4 Bonds. The waiver of conditions precedent in respect of the Tranche 1 Bonds or the Tranche 2 Bonds shall not be an implied waiver of conditions precedent in respect of the Tranche 3 Bonds or the Tranche 4 Bonds. The waiver of conditions precedent in respect of the Tranche 1 Bonds, the Tranche 2 Bonds or the Tranche 3 Bonds shall not be an implied waiver of conditions precedent in respect of the Tranche 4 Bonds.

If the above conditions precedent in respect of Tranche 1 Bonds are unfulfilled or, if applicable, waived on or prior to the Long Stop Date, all obligations of the Company and Riverhead Capital shall cease and determine immediately on the Long Stop Date and none of the Company and Riverhead Capital (nor any of their respective affiliates) shall have any claim against the other (or any of their respective affiliates) except in respect of any rights and liabilities which have accrued prior to termination.

Completion of the Riverhead Subscription

The completion of the Tranche 1 Bonds, the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds shall take place on the First Closing Date, the Second Closing Date, the Third Closing Date and the Fourth Closing Date respectively.

The Board (including the independent non-executive Directors) considers that the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement and the transactions respectively contemplated thereunder are on normal commercial terms determined after arm's length negotiation among the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Specific Mandate

The Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Riverhead Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares under the Specific Mandate, are subject to the approval of the Shareholders at the New EGM.

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Conversion Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the following fund raising activity, the Company did not carry out any equity fund raising activities during the past 12 months prior to the date of this announcement:

Date of Announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
27 June 2016	Issue of convertible bonds	Approximately HK\$32,000,000	Settlement of previous debt owed to the subscriber of relevant convertible bonds	Used as intended
18 March 2016	Issue of convertible bonds	Approximately HK\$40,000,000	Settlement of previous debt owed to the subscriber of relevant convertible bonds	Used as intended

INFORMATION OF CHINA CINDA

China Cinda is a joint stock limited company established in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 1359). It is a leading asset management company in the PRC. Its principal business segments include (i) distressed asset management business; (ii) financial investment and asset management business and (iii) financial services business. As at the date of this announcement, China Cinda (through Mankind Investment) is interested in approximately 12.38% of the entire issued share capital of the Company.

INFORMATION OF MANKIND INVESTMENT

Mankind Investment is a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of China Cinda. It is an investment holding company.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a limited liability company incorporated in the BVI. On 21 November 2016, Riverhead Capital transferred its entire shareholding interest in the Subscriber to Best Fortress Limited upon which the Subscriber is wholly-owned by Best Fortress Limited, a company incorporated in the BVI which is in turn owned as to 90% by Mr. Yip and as to 10% by Mr. Chung. The Subscriber is an investment holding company.

INFORMATION OF RIVERHEAD CAPITAL

Riverhead Capital is a limited liability company incorporated in the Cayman Islands and is owned as to 80% by Mr. Xie and as to 20% by Ms. Xie Juhan, who is the daughter of Mr. Xie. Riverhead Capital is an investment holding company.

REASONS FOR THE NEW SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in provision of brokerage and margin financing, proprietary trading, corporate finance, money lending and factoring, and consultancy and insurance brokerage.

As disclosed in the Previous Circular, it is expected that the introduction of the strategic investors under the Previous Subscription is a valuable opportunity for the expansion of the scale of business of the Company. In light of Mr. Xie's strong background, expertise and renowned status in the financial services industry in the PRC and his contribution to the Company, China Cinda, a substantial shareholder of the Company, which as at the date of this announcement, through Mankind Investment is interested in approximately 12.38% shareholding interests in the Company, is confident that with the leadership and business network of Mr. Xie, the Group will be en route for rapid business expansion and China Cinda has expressed its interest to the Board to commit further funding to the Company by way of subscription of convertible bonds and to increase its shareholding interests in the Company.

After arm's length negotiation between the Company, China Cinda, the Subscriber, certain terms and structure of the Previous Subscription have been amended and it has been agreed among the Company, China Cinda, the Subscriber and Riverhead Capital (a company that is owned as to 80% by Mr. Xie and 20% by Ms. Xie Juhan) that each of China Cinda (through Mankind Investment), the Subscriber and Riverhead Capital will subscribe for the Cinda Convertible Bonds, the PAL Convertible Bonds and the Riverhead Convertible Bonds, respectively, with the same maturity and Conversion Price under the Previous Subscription. China Cinda has also committed to provide its financial support to the Company by granting an unconditional and irrevocable cash loan of HK\$800,000,000 at a favorable interest rate of 6% per annum for the expansion of the Group's business. For the ease of operation of the day to day use of the proceeds

drawn down from the loan, the Board has designated a sub-committee for the approval of such use of the proceeds. The sub-committee will comprise four committee members of which one of them will be Mr. Xie, one of them will be the Director is appointed by China Cinda and the other two members will be appointed by the Company. The use of the Cinda Loan is subject to an unanimous approval of the sub-committee.

The Board believes that with the financial resources from China Cinda and the leadership from Mr. Xie, the New Subscription will bring about valuable opportunities to the Company for the expansion of its business scale and to tap into the PRC financial services market to capture the vast business opportunities through expansion of its capital base. The New Subscription will provide the Company with the opportunity to forge a closer business relationship with China Cinda, the Subscriber and Mr. Xie and pave the way for future business co-operations.

Upon the New Subscription Completion, gross proceeds from the New Subscription will continue to be HK\$390,000,000 before expenses, and the estimated net proceeds of the New Subscription will be approximately HK\$385,000,000 after deduction of the estimated expenses to be incurred in relation to the New Subscription. The Company intends to apply the net proceeds from the New Subscription in the same way as disclosed in the Previous Circular as follows:

- (i) approximately HK\$180,000,000 for the injection of capital to a wholly-owned subsidiary (the “Securities Subsidiary”) of the Company and expanding its margin financing and underwriting businesses in light of the booming and promising securities market arising from the stock connect systems among Hong Kong, Shanghai, Shenzhen and London;
- (ii) approximately HK\$150,000,000 for expanding its money lending business;
- (iii) approximately HK\$12,000,000 for engaging in private equity investments;
- (iv) approximately HK\$9,000,000 for strengthening the capital base of its asset management, wealth management and corporate financing business; and
- (v) the remaining balance of approximately HK\$34,000,000 for the general working capital of the Group which includes staff costs, rental, professional fee, marketing expenses etc.

Further, as disclosed in the section headed “The Riverhead Subscription Agreement”, the Riverhead Convertible Bonds comprises four tranches. The gross proceeds of the Tranche 1 Bonds in the principal amount of HK\$125,661,000 will form part of the gross proceeds of HK\$390,000,000 of the New Subscription upon issuance on the New Subscription Completion Date together with the Cinda Convertible Bonds and the PAL Convertible Bonds.

The gross proceeds from the Riverhead Subscription II will be HK\$180,000,000 in aggregate and the net proceeds will be approximately HK\$180,000,000. The Company intends to apply the net proceeds from the Tranche 2 Bonds, Tranche 3 Bonds and the Tranche 4 Bonds as follows:

- (i) approximately HK\$60,000,000 from the Tranche 2 Bonds for expanding its margin financing and underwriting businesses; and
- (ii) approximately HK\$120,000,000 from the Tranche 3 Bonds and the Tranche 4 Bonds for strengthening the capital base of its asset management, wealth management and corporate financing business.

Since the issuance of the Tranche 3 Bonds and Tranche 4 Bonds are conditional on whether the Company could achieve the 2018 Performance Targets and the 2019 Performance Targets respectively, the Board is of the view that the Riverhead Subscription II could align the interests of the Shareholders and Riverhead Capital for the achievement of the long-term business expansion of the Group.

To the extent that the proceeds are not immediately required, the Group will seek potential business opportunities in the securities and financial markets so as to maximise the efficiency and return of such idle funds, broaden the income source and improve the financial position of the Group.

The Board is of the view that the New Subscription, coupled with the commitment of China Cinda and Mr. Xie in terms of the Cinda Loan and the 2018 Performance Targets and the 2019 Performance Targets, will not only provide the Company with a substantial amount of funding for business expansion, but would also put together the resources of China Cinda and Mr. Xie and align the interests with those of the Company. From this perspective, the Directors consider the New Subscription is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the date of this announcement; (b) immediately after the full conversion of the Existing Convertible Bonds; (c) immediately after the full conversion of the Existing Convertible Bonds and immediately upon full conversion of the Cinda Convertible Bonds, the PAL Convertible Bonds and the Tranche 1 Bonds of the Riverhead Convertible Bonds (without adjustment); and (d) immediately after the full conversion of the Existing Convertible Bonds and immediately upon full conversion of the Cinda Convertible Bonds, the PAL Convertible Bonds and all four tranches of the Riverhead Convertible Bonds, assuming there being no other change in the issued share capital and shareholding structure of the Company since the date of this announcement:

Shareholder	As at the date of this announcement		Immediately after the full conversion of the Existing Convertible Bonds		Immediately after the full conversion of the Existing Convertible Bonds and immediately upon full conversion of the Cinda Convertible Bonds, the PAL Convertible Bonds and the Tranche 1 Bonds of the Riverhead Convertible Bonds (without adjustment)		Immediately after the full conversion of the Existing Convertible Bonds and immediately upon full conversion of the Cinda Convertible Bonds, the PAL Convertible Bonds and all four tranches of the Riverhead Convertible Bonds	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
Jadehero Limited (Note 1)	800,000,000	21.47	800,000,000	19.82	800,000,000	7.59	800,000,000	5.91
Mankind Investment (Note 2)	461,430,000	12.38	461,430,000	11.43	2,307,330,000	21.90	2,307,330,000	17.05
Riverhead Capital	–	–	–	–	2,094,350,000	19.88	5,094,350,000	37.63
The Subscriber	–	–	–	–	2,559,750,000	24.29	2,559,750,000	18.91
Other public shareholders	2,464,647,975	66.15	2,775,298,859	68.75	2,775,298,859	26.34	2,775,298,859	20.50
Total	<u>3,726,077,975</u>	<u>100.00</u>	<u>4,036,728,859</u>	<u>100.00</u>	<u>10,536,728,859</u>	<u>100.00</u>	<u>13,536,728,859</u>	<u>100.00</u>

Notes:

- Jadehero, a company incorporated in the BVI with limited liability, beneficially held 800,000,000 Shares. Jadehero is owned as to 80% by Southlead Limited and as to 20% by Marvel Steed Limited. Southlead Limited is wholly owned by Wahan Investments Limited which is in turn wholly owned by Mr. Zhao Xu Guang. Mr. Wong Kam Fat Tony, who is the former chairman of the Company and the former executive Director, is the sole beneficial owner of the entire equity interests in Marvel Steed Limited.
- Mankind Investment beneficially held 461,430,000 Shares. Mankind Investment is wholly-owned by China Cinda (HK) Asset Management Co., Limited (“China Cinda (HK) Asset Management”) which is in turn wholly-owned by China Cinda (HK) Holdings Company Limited (formerly known as Well Kent International Investment Company Limited) (“China Cinda (HK) Holdings”). China Cinda (HK) Holdings is wholly-owned by China Cinda Asset Management Co., Limited (“China Cinda Asset Management”). For the purpose of the SFO, China Cinda (HK) Asset Management, China Cinda (HK) Holdings and China Cinda Asset Management are deemed or taken to be interested in the Shares held by Mankind Investment.

3. For illustrative purposes only, the New Convertible Bonds are subject to restrictions such that the conversion of which would (a) not trigger a mandatory offer obligation under Rule 26.1 of the Takeovers Code on the part of the Subscriber and parties acting in concert with it (as defined in the Takeovers Code) or (b) cause the Company to be unable to meet the minimum public float requirement under the Listing Rules. Due to the above conversion restrictions on the New Convertible Bonds, full conversion of the New Convertible Bonds into the Conversion Shares by the Subscriber as the holder of the New Convertible Bonds is unlikely to come about under the existing terms of the New Convertible Bonds.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mankind Investment held approximately 12.38% of the entire issued share capital of the Company and is thus a substantial shareholder of the Company. Accordingly, Mankind Investment is a connected person of the Company under the Listing Rules and the Cinda Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The New EGM will be convened for the Shareholders to consider and, if thought fit, to approve (i) the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement and the transactions respectively contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) the Capital Reorganisation.

As at the date of this announcement, Mankind Investment held approximately 12.38% of the entire issued share capital of the Company and is thus a substantial shareholder of the Company. Accordingly, Mankind Investment is a connected person of the Company under the Listing Rules and it will abstain from voting on the relevant ordinary resolutions to be proposed at the New EGM to approve the New Subscription and the Specific Mandate.

A circular containing, among other things, (i) further details of the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement; (ii) further details of the Capital Reorganisation; (iii) a letter of advice from the Independent Board Committee in relation to the New Subscription and the Specific Mandate; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee in relation to the New Subscription and the Specific Mandate; and (iv) the notice of the New EGM, will be despatched to the Shareholders on or before 13 December 2016.

Completion of the New Subscription is subject to the conditions precedent under the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Riverhead Subscription Agreement. Accordingly, the New Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“2018 Performance Target” both (a) the consolidated total assets of the Group as of 31 March 2018 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but giving pro forma effect to (x) the issuance and subscription of the convertible bonds under the Cinda Subscription Agreement, the Riverhead Subscription Agreement (as to the Tranche 1 Bonds and the Tranche 2 Bonds only) and the Subscription Agreement (as amended and supplemented and the Supplemental Agreement) and (y) the exclusion of the cash loan provided by China Cinda (HK) Asset Management Co., Ltd in favour of the Company under the Cinda Subscription Agreement) represents an increase of 30% or more as compared to the consolidated total assets of the Group as of 31 March 2017 prepared on the same basis and (b) the revenue of the Group for the year ending 31 March 2018 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but excluding extraordinary items and any fair value changes regarding any issued an outstanding convertible bonds of the Company) represents a growth rate of not less than 30% when compared to the revenue of the Group (prepared on the same basis) for the financial year ending 31 March 2017

“2019 Performance Target”	both (a) the consolidated total assets of the Group as of 31 March 2019 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but giving pro forma effect to (x) the issuance and subscription of the convertible bonds under the Cinda Subscription Agreement, the Riverhead Subscription Agreement (as to the Tranche 1 Bonds, the Tranche 2 Bonds and the Tranche 3 Bonds (if any) only) and the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and (y) the exclusion of the cash loan provided by China Cinda (HK) Asset Management Co., Ltd in favour of the Company under the Cinda Subscription Agreement) represents an increase of 30% or more as compared to the consolidated total assets of the Group as of 31 March 2018 prepared on the same basis and (b) the revenue of the Group for the year ending 31 March 2019 (prepared on the basis of Hong Kong Financial Reporting Standards that have been consistently applied by the Group but excluding extraordinary items and any fair value changes regarding any issued and outstanding convertible bonds of the Company) represents a growth rate of not less than 30% when compared to the revenue of the Group (prepared on the same basis) for the financial year ending 31 March 2018
“Best Fortress”	Best Fortress Limited, a company incorporated in the BVI and is owned as to 90% by Mr. Yip and as to 10% by Mr. Chung
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“BVI”	British Virgin Islands

“Capital Reduction”	the reduction of the issued share capital of the Company by cancelling the paid-up capital of each issued Share to the extent of HK\$0.09 per issued Share, thereby reducing the nominal value of each issued Share from HK\$0.10 to HK\$0.01 and the reduction of the nominal value of each authorized but unissued Share from HK\$0.10 to HK\$0.01, such that the authorized share capital of the Company shall be reduced from HK\$500,000,000 comprising 5,000,000,000 shares of a nominal or par value of HK\$0.10 each to HK\$50,000,000 comprising 5,000,000,000 shares of a nominal or par value of HK\$0.01 each, details of which are set out in the Previous Circular
“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising (i) the Capital Reduction; and (ii) the Increase in Authorised Share Capital
“China Cinda”	China Cinda Asset Management Co., Ltd., a joint stock limited company established in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 1359) and is a substantial shareholder of the Company as at the date of this announcement
“Cinda Convertible Bonds”	the 3-year 2% coupon convertible bonds in the principal amount of HK\$110,754,000 to be issued by the Company to Mankind Investment pursuant to the Cinda Subscription Agreement
“Cinda Loan”	the cash loan under a two-year term loan agreement to be entered into between the Company and China Cinda (HK) Asset Management Co., Ltd in relation to an unconditional and irrevocable cash loan of HK\$800,000,000 at an interest rate of 6% per annum available for drawdown by the Company within a specified period which shall not be less than 24 months
“Cinda Subscription”	the subscription of the Cinda Convertible Bonds by Mankind Investment pursuant to the terms of the Cinda Subscription Agreement

“Cinda Subscription Agreement”	the subscription agreement dated 22 November 2016 entered into between the Company and Mankind Investment in relation to the subscription and issue of the Cinda Convertible Bonds
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“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 Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Price”	HK\$0.06 per Conversion Share (subject to adjustments)
“Conversion Rights”	the right of the holder of the New Convertible Bonds to convert all (but not part) of the outstanding principal amount of the New Convertible Bonds into such number of New Shares credited as fully paid
“Conversion Share(s)”	the New Share(s) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the New Convertible Bonds had the Capital Reorganisation become effective
“Convertible Bond(s)”	the 3-year 2% convertible bonds in the aggregate principal amount of HK\$390,000,000 to be issued by the Company to the Subscriber pursuant to the Previous CB Subscription Agreement
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve, among other things, (i) the Previous CB Subscription Agreement and the transactions contemplated thereunder, (ii) the grant of the Specific Mandate; and (iii) the Capital Reorganisation
“EGM Notice”	the notice of the EGM dated 7 October 2016

“Existing Convertible Bonds”	the convertible bonds issued by the Company on 6 April 2016 in the outstanding aggregate principal amount of HK\$40,384,615 that are due on 5 April 2017 and are convertible into Shares at the conversion price of HK\$0.13 per Share (subject to adjustments)
“First Closing Date”	the fifth (5th) Business Day following the date on which the conditions of the Riverhead Subscription Agreement in respect of the Tranche 1 Bonds are fulfilled or, if applicable, waived (or such later date as the parties may agree)
“Fourth Closing Date”	the fifth (5th) Business Day following the date on which the conditions of the Riverhead Subscription Agreement in respect of the Tranche 4 Bonds are fulfilled or, if applicable, waived (or such later date as the parties may agree but in any event no later than one month after the publication of the annual results announcement of the Company for the year ending 31 March 2019)
“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
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company to HK\$200,000,000 divided into 20,000,000,000 New Shares by the creation of an additional 15,000,000,000 New Shares
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, to be formed for the purpose of advising the independent Shareholders in relation to the New Subscription and the Specific Mandate
“Last Trading Day”	22 November 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the date of the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Riverhead Subscription Agreement

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2017 or such other date as the Company and Mankind Investment or the Subscriber or Riverhead Capital (as the case may be) may agree in writing
“Mankind Investment”	Mankind Investment Limited, an indirectly and wholly-owned subsidiary of China Cinda and the subscriber of the Cinda Convertible Bonds which is interested in approximately 12.38% of the entire issued share capital of the Company as at the date of this announcement
“Mr. Chung”	Mr. Chung Chi Shing
“Mr. Xie”	Mr. Xie Zhichun
“Mr. Yip”	Mr. Yip Sum Yin
“New Convertible Bonds”	the aggregate of the Cinda Convertible Bonds, the PAL Convertible Bonds and the Riverhead Convertible Bonds
“New EGM”	the new extraordinary general meeting to be held by the Company to consider and, if thought fit, approve, among other things, (i) the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Riverhead Subscription Agreement and the transactions respectively contemplated thereunder, (ii) the grant of the Specific Mandate; and (iii) the Capital Reorganisation
“New Shares”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction becoming effective
“New Subscription”	the Cinda Subscription, the PAL Subscription, the Riverhead Subscription I and the Riverhead Subscription II

“New Subscription Completion”	completion of the Cinda Subscription Agreement, the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Riverhead Subscription I in accordance with their terms and conditions
“New Subscription Completion Date”	the date on which New Subscription Completion takes place
“PAL Convertible Bonds”	the 3-year 2% coupon convertible bonds in the principal amount of HK\$153,585,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement)
“PAL Subscription”	the subscription of the PAL Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement)
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous CB Subscription Agreement”	the subscription agreement dated 21 September 2016 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“Previous Circular”	the circular of the Company dated 7 October 2016
“Previous Subscription”	the subscription of the Convertible Bonds pursuant to the terms of the Previous CB Subscription Agreement
“Previous Subscription Last Trading Day”	20 September 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the date of the Previous CB Subscription Agreement
“Riverhead Capital”	Riverhead Capital (International) Management Co., Ltd., a company incorporated in the Cayman Islands and is owned as to 80% by Mr. Xie and 20% by Ms. Xie Juhan

“Riverhead Convertible Bonds”	the 3-year 2% coupon convertible bonds in the principal amount of HK\$305,661,000 to be issued by the Company to Riverhead Capital pursuant to the Riverhead Subscription Agreement
“Riverhead Subscription Agreement”	the subscription agreement dated 22 November 2016 entered into between the Company and Riverhead Capital in relation to the subscription and issue of the Riverhead Convertible Bonds
“Riverhead Subscription I”	the subscription of the Tranche 1 Bonds by Riverhead Capital pursuant to the terms of the Riverhead Subscription Agreement
“Riverhead Subscription II”	the subscription of the Tranche 2 Bonds, the Tranche 3 Bonds and the Tranche 4 Bonds by Riverhead Capital pursuant to the terms of the Riverhead Subscription Agreement
“Second Closing Date”	three months following the date on which the conditions of the Riverhead Subscription Agreement in respect of the Tranche 2 Bonds are fulfilled or, if applicable, waived (or such later date as the parties may agree)
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company prior to the Capital Reduction becoming effective
“Shareholders”	holders of the ordinary shares in the share capital of the Company
“Specific Mandate”	the mandate to be sought from the Shareholders at the New EGM to allot and issue the Conversion Shares upon exercise of the conversion rights under the Cinda Convertible Bonds, the PAL Convertible Bonds and the Riverhead Convertible Bonds

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Pacific Alliance Limited, a company incorporated in the BVI with limited liability and is wholly owned by Best Fortress
“Subscription Agreement”	the subscription agreement dated 21 September 2016 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“Supplemental Agreement”	the supplemental agreement dated 22 November 2016 entered into between the Company and the Subscriber to amend and supplement certain terms of the Previous CB Subscription Agreement
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks
“Third Closing Date”	the fifth (5th) Business Day following the date on which the conditions of the Riverhead Subscription Agreement in respect of the Tranche 3 Bonds are fulfilled or, if applicable, waived (or such later date as the parties may agree but in any event no later than one month after the publication of the annual results announcement of the Company for the year ending 31 March 2018)
“Tranche 1 Bonds”	the first tranche of the Riverhead Convertible Bonds in principal amount of HK\$125,661,000 to be issued by the Company under the Riverhead Subscription Agreement
“Tranche 1 Closing”	completion of the subscription of the Tranche 1 Bonds
“Tranche 2 Bonds”	the second tranche of the Riverhead Convertible Bonds in principal amount of HK\$60,000,000 to be issued by the Company under the Riverhead Subscription Agreement
“Tranche 2 Closing”	completion of the subscription of the Tranche 2 Bonds

“Tranche 3 Bonds”	the third tranche of the Riverhead Convertible Bonds in principal amount of HK\$60,000,000 to be issued by the Company under the Riverhead Subscription Agreement
“Tranche 3 Closing”	completion of the subscription of the Tranche 3 Bonds
“Tranche 4 Bonds”	the fourth tranche of the Riverhead Convertible Bonds in principal amount of HK\$60,000,000 to be issued by the Company under the Riverhead Subscription Agreement
“Tranche 4 Closing”	completion of the subscription of the Tranche 4 Bonds
“%”	per cent.

By order of the Board of
China Fortune Financial Group Limited
WONG Kam Choi MH
Chairman

Hong Kong, 22 November 2016

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. WONG Kam Choi MH (Chairman), Mr. HON Chun Yu and Ms. FU Wan Sheung; two non-executive Directors, namely Mr. TANG Baoqi and Mr. WU Ling; and three independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok and Mr. TAM B Ray Billy.