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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>*

### **MAJOR TRANSACTION**

#### **(1) ESTABLISHMENT OF JOINT VENTURE COMPANY; AND (2) TERMINATION OF THE FORMER SUBSCRIPTION AGREEMENT**

Reference is made to (i) the announcement of the Company dated 30 September 2016; and (ii) the announcement and circular of the Company dated 23 January 2017 and 22 February 2017, respectively, in relation to the establishment of a joint venture securities company in the PRC.

#### **ESTABLISHMENT OF THE JV COMPANY**

On 9 November 2017 (after trading hours), Fortune Securities, a wholly owned subsidiary of the Company, entered into the New Subscription Agreement with Qingdao Ruiyuan, Beijing JinXiuHuaCheng, Qingdao New Energy, Beijing Hongtai and Gongqing City Huiquan, in relation to the establishment of the JV Company.

Pursuant to the New Subscription Agreement, the parties agreed, among other things, that:

- (i) the Total Investment Amount for the establishment of the JV Company shall be RMB1,000 million (equivalent to approximately HK\$1,174 million), which is subject to the approval by relevant regulatory authorities, and shall be contributed by Fortune Securities, Qingdao Ruiyuan, Beijing JinXiuHuaCheng, Qingdao New Energy, Beijing Hongtai and Gongqing City Huiquan, in the amount of RMB300 million (equivalent to approximately HK\$352 million), RMB325 million (equivalent to approximately HK\$382 million), RMB236 million (equivalent to approximately HK\$277 million), RMB50 million (equivalent to approximately HK\$59 million), RMB49 million (equivalent to approximately HK\$58 million) and RMB40 million (equivalent to approximately HK\$47 million), respectively. The JV Company will be held as to 30.0%, 32.5%, 23.6%, 5.0%, 4.9% and 4.0% shareholding by the JV Partners, respectively;
- (ii) each of the JV Partners shall fully pay their respective capital contribution amounts within six months after the document on approving the establishment of the JV Company is signed and issued by the CSRC; and

(iii) subject to the JV Company obtaining the requisite approvals from relevant regulatory authorities, the JV Company is expected to become a full-licensed securities company permitted to conduct securities brokerage, proprietary securities trading, underwriting and sponsorship in securities, and securities and assets management businesses in the PRC.

The New Subscription Agreement will become effective upon:

- (i) the JV Partners having obtained necessary authorised internal approvals and the Company having obtained the approval and authorisation from the Shareholders in relation to the New Subscription Agreement and the transactions contemplated thereunder; and
- (ii) where applicable, the JV Partners having obtained the approval and authorisation from the relevant regulatory authorities in relation to the New Subscription Agreement and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in relation to the capital commitment of Fortune Securities under the New Subscription Agreement is more than 25% but all of the applicable percentage ratios are less than 100%, the entering into of the New Subscription Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the New Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of New Subscription Agreement and the transactions contemplated thereunder and a notice of the EGM is expected to be despatched to the Shareholders on or before 8 December 2017.

As the New Subscription Agreement is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

## **TERMINATION OF THE FORMER SUBSCRIPTION AGREEMENT**

Due to a change in the shareholding structure of the joint venture company to be established under the Former Subscription Agreement mutually agreed among the parties to the Former Subscription Agreement, it is mutually agreed that a new subscription agreement regarding the establishment of a joint venture securities company in the PRC will be entered into among the parties to the Former Subscription Agreement.

The Board considers that the termination of the Former Subscription Agreement would not have any material or adverse impact on the existing operations of the Group.

## **ESTABLISHMENT OF THE JV COMPANY**

On 9 November 2017 (after trading hours), Fortune Securities, a wholly owned subsidiary of the Company, entered into the New Subscription Agreement with Qingdao Ruiyuan, Beijing JinXiuHuaCheng, Qingdao New Energy, Beijing Hongtai and Gongqing City Huiquan, in relation to the establishment of the JV Company.

## **THE NEW SUBSCRIPTION AGREEMENT**

The principal terms of the New Subscription Agreement are as follows:

### **Date:**

9 November 2017

### **Parties:**

- (1) Fortune Securities;
- (2) Qingdao Ruiyuan;
- (3) Beijing JinXiuHuaCheng;
- (4) Qingdao New Energy;
- (5) Beijing Hongtai; and
- (6) Gongqing City Huiquan

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Qingdao Ruiyuan, Beijing JinXiuHuaCheng, Qingdao New Energy, Beijing Hongtai and Gongqing City Huiquan, and their respective ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons as defined under the Listing Rules.

## **Shareholding Structure and Capital Contribution**

Pursuant to the New Subscription Agreement, the parties agreed, among other things, that:

- (i) the Total Investment Amount for the establishment of the JV Company shall be RMB1,000 million (equivalent to approximately HK\$1,174 million) which, subject to the approval by relevant regulatory authorities, and shall be contributed by Fortune Securities, Qingdao Ruiyuan, Beijing JinXiuHuaCheng, Qingdao New Energy, Beijing Hongtai and Gongqing City Huiquan in the amount of RMB300 million (equivalent to approximately HK\$352 million), RMB325 million (equivalent to approximately HK\$382 million), RMB236 million (equivalent to approximately HK\$277 million), RMB50 million (equivalent to approximately HK\$59 million), RMB49 million (equivalent to approximately HK\$58 million) and RMB40 million (equivalent to approximately HK\$47 million), respectively. The JV Company will be held as to 30.0%, 32.5%, 23.6%, 5.0%, 4.9% and 4.0% shareholding by the JV Partners, respectively;
- (ii) each of the JV Partners shall fully pay their respective capital contribution amounts within six months after the document on approving the establishment of the JV Company is signed and issued by the CSRC; and

- (iii) subject to the JV Company obtaining the requisite approvals from relevant regulatory authorities, the JV Company is expected to become a full-licensed securities company permitted to conduct securities brokerage, proprietary securities trading, underwriting and sponsorship in securities, and securities and assets management businesses in the PRC.

The respective amounts of capital contributions of the JV Partners were determined after arm's length negotiation among the parties to the New Subscription Agreement with reference to the initial capital requirement of the JV Company, the capital contribution intentions of the parties and the regulatory requirements imposed by CSRC. Fortune Securities' capital contribution of RMB300 million (equivalent to approximately HK\$352 million) will be funded by internal resources and/or borrowings of the Group.

### **Conditions Precedent**

The New Subscription Agreement will become effective upon:

- (i) the JV Partners having obtained necessary authorised internal approvals and the Company having obtained the approval and authorisation from the Shareholders in relation to the New Subscription Agreement and the transactions contemplated thereunder; and
- (ii) where applicable, the JV Partners having obtained the approval and authorisation from the relevant regulatory authorities in relation to the New Subscription Agreement and the transactions contemplated thereunder.

### **Restrictions on Transfer of Shares of the JV Company**

Each of the JV Partners shall not:

- (i) transfer any part of the shares of the JV Company within 48 months from the date of establishment of the JV Company; and
- (ii) transfer any part of the shares of the JV Company, which are issued prior to the public offering of the shares of the JV Company, within one year from the day the shares of the JV Company are listed on any recognised stock exchange.

### **Boards of Directors and Supervisors of the JV Company**

The board of directors of the JV Company shall consist of nine directors (including three independent directors). Pursuant to the New Subscription Agreement, each of Fortune Securities, Qingdao Ruiyuan and Beijing JinXiuHuaCheng is entitled to nominate two directors and recommend a candidate of independent director. The chairman of the board of directors of the JV Company shall be a director nominated by Qingdao Ruiyuan. The JV Company shall in each year hold at least two board of directors' meetings. Each director of the JV Company is entitled to one vote for every board resolution. All board resolutions shall be passed by a simple majority of votes.

JV Company shall have a board of supervisors which shall consist of three supervisors. Pursuant to the New Subscription Agreement, each of Fortune Securities and Qingdao Ruiyuan is entitled to nominate one supervisor and the remaining supervisor shall be an employee of the JV Company who is being elected at the JV Company's employees' representatives conference. The chairman of the board of supervisors of the JV Company shall

be the supervisor nominated by Fortune Securities. The JV Company shall hold at least one board of supervisors' meeting in every six months. Each supervisor of the JV Company is entitled to one vote for every matter that is decided by the board of supervisors. Any action or resolution of the board of supervisors shall be passed by a simple majority of votes.

### **Shareholders' Meeting and Voting**

A regular shareholders' meeting of the JV Company shall be held within six months after the end of each financial year.

Save as below matters which shall be approved by special resolution at the shareholders' meeting of the JV Company, all matters shall be approved by ordinary resolution(s) at the shareholders' meeting of the JV Company:

- (i) increase or decrease in the registered capital of the JV Company;
- (ii) spin off, merging, winding up and liquidation or change in the form of the JV Company;
- (iii) amendment to the article of association of the JV Company; or
- (iv) other matters as prescribed by applicable laws and regulations and article of association of the JV Company.

An ordinary resolution shall be passed by a simple majority of votes of the shareholders (including their proxies) who present at the shareholders' meeting of the JV Company and a special resolution shall be passed by a majority of more than two-thirds of votes of the shareholders (including their proxies) who present at the shareholders' meeting of the JV Company.

### **Profit Distribution**

Profit after tax of the JV Company shall be distributed in the following order:

- (i) offset loss of the JV Company incurred in previous financial year;
- (ii) 10% of the profit after tax of the JV Company shall be extracted and credited to the statutory provident fund;
- (iii) deduction of trading risk reserve and other risk reserve as required by applicable laws of PRC and regulation of CSRC;
- (iv) deduction of discretionary provident fund in accordance with resolution approved at the shareholders' meeting of the JV Company; and
- (v) unless required by relevant applicable laws and regulation, all remaining profit after (i) to (iv) above shall be distributed to shareholders of the JV Company as dividend upon having obtained approval at the shareholders' meeting of the JV Company.

Any deduction of profit to the statutory provident fund can be withheld once the accumulated statutory provident fund exceeds 50% of the registered capital of the JV Company.



## **EFFECT OF THE TRANSACTION ON THE GROUP'S EARNINGS AND ASSETS AND LIABILITIES**

The JV Company will not be a subsidiary of the Company and accordingly, the financial results, assets and liabilities of the JV Company will not be consolidated into the accounts of the Group. The Group's interests in the JV Company will be taken into the accounts of the Company by equity method of accounting.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY**

The Group and its management keep putting extra effort in developing the securities business and strive to gain further exposure in the capital markets of the PRC so as to bring better returns to the stakeholders.

Notwithstanding the Termination, it is the intention of the JV Partners to re-submit the application to relevant regulatory authorities for the establishment of the JV Company which will become a full-licensed securities company permitted to conduct securities brokerage, proprietary securities trading, underwriting and sponsorship in securities, and securities and assets management businesses in the PRC.

By entering into the New Subscription Agreement and committing its resource towards the establishment of the JV Company on the terms of the New Subscription Agreement, the Group and the JV Partners are expecting to rely on Supplement X of the "Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA), pursuant to which Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies may set up one full-licensed joint venture securities company in specified areas in accordance with relevant requirements. The JV Partners, following execution of the New Subscription Agreement, will submit applications, together with the New Subscription Agreement and the relevant articles of association of the JV Company, shortly to the CSRC for the establishment and regulatory licenses of the JV Company.

The Group believes its participation in the establishment and operation of the JV Company shall enable the Group to expand its securities services businesses into the PRC and bring along synergy effect to the existing securities services and financial businesses platform of the Group. It also offers significant competitive advantages to the Group in accessing the fast-growing financial markets in the PRC.

The Directors (including the independent non-executive Directors) consider that the investment in the JV Company by Fortune Securities and the terms of the New Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

## **INFORMATION ON THE GROUP, THE JV COMPANY AND THE JV PARTNERS**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of brokerage and margin financing, proprietary securities trading, corporate finance, money lending and factoring and consultancy and insurance brokerage services.

The JV Company is proposed to be set up in Shandong province, the PRC. The JV Company, when established, will be a company in the PRC limited by shares, which be owned as to 30.0% by Fortune Securities, 32.5% by Qingdao Ruiyuan, 23.6% by Beijing JinXiuHuaCheng, 5.0% by Qingdao New Energy, 4.9% by Beijing Hongtai and 4.0% by Gongqing City Huiquan. The proposed principal activities of the JV Company shall include provision of regulated securities

related services including, securities brokerage, proprietary securities trading, underwriting and sponsorship in securities, securities and assets management and any other business approved by the CSRC. The parties may from time to time, by way of board resolutions of the JV Company and subject to the regulations by the applicable authorities, take all necessary actions or obtain the necessary approvals or licenses to expand the authorised business scope of the JV Company.

Pursuant to the New Subscription Agreement, it was agreed that business operation period of the JV Company shall be perpetual after the business license is granted by the relevant regulatory authorities in the PRC.

Fortune Securities is a limited liability company incorporated in Hong Kong and is an indirect wholly owned subsidiary of the Company. Fortune Securities is principally engaged in the provision of securities brokering and dealing, margin financing to clients and placing and underwriting services in Hong Kong. Fortune Securities is licensed to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Qingdao Ruiyuan is a limited liability company established in the PRC which is a conglomerate engaging in, among others, real estate development, technology businesses and health and elderly care services.

Beijing JinXiuHuaCheng is a limited liability company established in the PRC which principally engages in investments.

Qingdao New Energy is a limited liability company established in the PRC which is a comprehensive solar energy utilization solution service provider.

Beijing Hongtai is a limited liability company established in the PRC which is a fund management company.

Gongqing City Huiquan is a limited partnership established in the PRC which principally engages in investments.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in relation to the capital commitment of Fortune Securities under the New Subscription Agreement is more than 25% but all of the applicable percentage ratios are less than 100%, the entering into of the New Subscription Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

## **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the New Subscription Agreement and the transactions contemplated thereunder.

To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, no Shareholder has any interest in the New Subscription Agreement and the transactions contemplated thereunder that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM.

A circular containing, among others, further details of New Subscription Agreement and the transactions contemplated thereunder and a notice of the EGM is expected to be despatched to the Shareholders on or before 8 December 2017.

As the New Subscription Agreement is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

## **TERMINATION OF THE FORMER SUBSCRIPTION AGREEMENT**

Reference is made to (i) the announcement of the Company dated 30 September 2016; and (ii) the announcement and circular of the Company dated 23 January 2017 and 22 February 2017, respectively, in relation to the establishment of a joint venture securities company in the PRC.

Due to a change in the shareholding structure of the joint venture company to be established under the Former Subscription Agreement mutually agreed among the parties to the Former Subscription Agreement, it is mutually agreed that a new subscription agreement regarding the establishment of a joint venture securities company in the PRC will be entered into among the parties to the Former Subscription Agreement.

As far as the Company is concerned, the parties to the Former Subscription Agreement shall not be liable for any breach of contract resulting from the Termination.

The Board considers that the Termination would not have any material or adverse impact on the existing operations of the Group.

## **DEFINITIONS**

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

|                                 |                                                                                                                                                                                 |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Beijing Hongtai”               | Beijing Hongtai Tongchuang Investment Management Co.,Ltd.* (北京洪泰同創投資管理有限公司), one of the JV Partners                                                                             |
| “Beijing JinXiuHuaCheng”        | Beijing JinXiuHuaCheng Investment Co., Ltd.* (北京錦綉華成投資有限公司), one of the JV Partners                                                                                             |
| “Board”                         | the board of Directors                                                                                                                                                          |
| “Company”                       | China Fortune Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange      |
| “CSRC”                          | the China Securities Regulatory Commission                                                                                                                                      |
| “Directors”                     | the directors of the Company                                                                                                                                                    |
| “EGM”                           | an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the New Subscription Agreement and the transactions contemplated thereunder |
| “Former Subscription Agreement” | the subscription agreement dated 23 January 2017 entered into among the JV Partners in relation to the establishment of the JV Company                                          |



|                              |                                                                                                                                                                                     |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Fortune Securities”         | Fortune (HK) Securities Limited, a wholly owned subsidiary of the Company and one of the JV Partners                                                                                |
| “Gongqing City Huiquan”      | Gongqing City Huiquan Investment Management Partnership (Limited Partnership)* (共青城滙泉投資管理合夥企業(有限合夥)), one of the JV Partners                                                        |
| “Group”                      | the Company and its subsidiaries from time to time                                                                                                                                  |
| “HK\$”                       | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                                 |
| “Hong Kong”                  | the Hong Kong Special Administrative Region of the PRC                                                                                                                              |
| “JV Company”                 | HuaHai Securities Company Limited (華海證券股份有限公司), a company limited by shares to be established under the laws of the PRC pursuant to the New Subscription Agreement                  |
| “JV Partners”                | Fortune Securities, Qingdao Ruiyuan, Beijing JinXiuHuaCheng, Qingdao New Energy, Beijing Hongtai and Gongqing City Huiquan                                                          |
| “Listing Rules”              | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited                                                                                            |
| “New Subscription Agreement” | the subscription agreement dated 9 November 2017 entered into among the JV Partners in relation to the establishment of the JV Company                                              |
| “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 |
| “Qingdao New Energy”         | Qingdao New Energy Solutions Inc.* (青島昌盛日電太陽能科技股份有限公司), one of the JV Partners                                                                                                      |
| “Qingdao Ruiyuan”            | Qingdao Ruiyuan Engineering Group Ltd.* (青島瑞源工程集團有限公司), one of the JV Partners                                                                                                      |
| “RMB”                        | Renminbi, the lawful currency of the PRC                                                                                                                                            |
| “Shareholder(s)”             | shareholder(s) of the Company                                                                                                                                                       |
| “Stock Exchange”             | The Stock Exchange of Hong Kong Limited                                                                                                                                             |
| “Termination”                | the termination of the Former Subscription Agreement and the transactions contemplated thereunder                                                                                   |

“Total Investment Amount”      the total aggregate investment amount of all due parties to the New Subscription Agreement in respect of the establishment of the JV Company as set out in the New Subscription Agreement

“%”      Percentage

*For illustrative purpose only, amount denominated in RMB has been translated into HK\$ at the rate of RMB1.00 = HK\$1.174 in this announcement. No representation is made that any amount in RMB or HK\$ has been, could have been or could be converted at the above rate or any other.*

By Order of the Board  
**China Fortune Financial Group Limited**  
**XIE Zhichun**  
*Chairman and Executive Director*

Hong Kong, 9 November 2017

*As at the date of this announcement, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. HAN Hanting and Mr. LIU Yinan; three non-executive Directors, namely Mr. TANG Baoqi, Mr. WU Ling and Mr. HUA Yang; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok, Mr. CHIU Kung Chik and Mr. LI Gaofeng.*

*\* for identification purpose only*