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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

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

**(I) VERY SUBSTANTIAL ACQUISITION
PROPOSED ACQUISITION OF 49% INTEREST
IN A COMPANY ENGAGED IN BROKERAGE SERVICES
FOR DEALING IN FUTURES CONTRACTS IN THE PRC;
(II) ISSUANCE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
AND
(III) RESUMPTION OF TRADING**

THE ACQUISITION

The Board is pleased to announce that on 22 May 2009, the Purchaser entered into the Share Transfer Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 49% equity interest in the Target Company. The Consideration of RMB58.83 million (equivalent to approximately HK\$66.85 million) will be settled by way of setting off the First Deposit, the Second Deposit, the Third Deposit and the remaining balance of RMB20.79 million (equivalent to approximately HK\$23.63 million) to be paid by cash, within five business days upon the Share Transfer Date. The Acquisition is conditional upon fulfillment of all Conditions Precedent.

In accordance with Rule 14.07, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the approval of Shareholders at the EGM. The Company will seek the approval of its Shareholders at the EGM to be convened and held by the Company to approve the Share Transfer Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders have any material interest in the Share Transfer Agreement, other than their shareholding interests in the Shares, and accordingly no Shareholders are required to abstain from voting on the Acquisition at the EGM.

ISSUANCE OF CONVERTIBLE BONDS

On 22 May 2009, the Company and the Subscriber entered into the Subscription Agreement in respect of the issuance of the Convertible Bonds in the principal amount of HK\$128 million due three years from the date of issue at an exercise price of HK\$0.16 per Conversion Share with the Option for the Subscriber to further subscribe Convertible Bonds up to a maximum principal amount of HK\$128 million convertible into a maximum of 800 million Shares. Completion of the Subscription Agreement is subject to the conditions as set out in the paragraph headed "Conditions precedent" under the section of Issuance of Convertible Bonds below. Detailed terms of the Convertible Bonds are set out in the paragraph headed "Principal terms of the Convertible Bonds". Should all Convertible Bonds be converted into Shares of the Company, 800 million Shares will be issued by the Company (representing approximately 51.41% of the total issued share capital of the Company to be enlarged by the allotment and issue of the Conversion Shares). A maximum of 800 million Shares are to be issued by the Company where the Option is exercised by the Subscriber and the Optional Bond(s) are converted into Shares. The net proceeds from the Convertible Bonds of approximately HK\$128 million will be used for the Acquisition, financing possible future investments of the Group and/or the general working capital of the Group.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is an Independent Third Party. As such, no Shareholders are required to abstain from voting on the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Circular(s) containing, among others, (i) further details of the Acquisition; (ii) the accountants' report on the Target Company; (iii) pro forma financial information of the enlarged Group; (iv) details of the issuance of Convertible Bonds; together with (v) notice of the EGM will be dispatched to Shareholders as soon as possible.

RESUMPTION OF TRADING

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 25 May 2009 pending for the release of this announcement. Application has been made for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 May 2009.

THE ACQUISITION

1. Introduction

Reference is made to the announcements of the Company dated 9 December 2008 and 4 March 2009 (collectively, the “Announcements”), in relation to, among others, the entering into of the First Memorandum and the Second Memorandum and the payments of First Deposits and the Second Deposits, respectively.

On 22 May 2009, the Purchaser entered into the Share Transfer Agreement with the Vendor pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 49% equity interest of the Target Company, at a Consideration of RMB58.83 million (equivalent to approximately HK\$66.85 million). The Acquisition is conditional upon fulfillment of all Conditions Precedent.

2. The Share Transfer Agreement

Date: 22 May 2009

Parties: (1) the Purchaser

(2) the Vendor

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The Vendor is principally engaged in the production and sales of petrochemical products. As at the date of this announcement, the Target Company is owned as to 49% equity interest by the Vendor and as to 24.14%, 18.9% and 7.96% by three other respective registered owners. All the registered owners are Independent Third Parties to the Company, independent of and not connected with the Company and its associates.

Consideration:

The aggregate consideration payable by the Purchaser for the Sale Shares is RMB58.83 million (equivalent to approximately HK\$66.85 million) (the “Consideration”). The Consideration for the Acquisition was determined after arm’s length negotiations between the Vendor and the Purchaser and the basis of determining and arriving at the Consideration was by making reference to the PRC Audited Report, the completion of capital injection of RMB33.04 million (equivalent to approximately HK\$37.55 million) by the Vendor to the Target Company in March 2009 as well as by way of comparison the price earnings ratios of those market comparable companies which ranged from approximately 1.61 times (Get Nice Holdings Limited) to 144.15 times (Shenyin Wanguo HK Limited) with an average of approximately 26.30 times as at the date of the Share Transfer Agreement, the future prospects of the Target Company as well as the futures brokerage business in the PRC. The Consideration will be settled by way of setting off the First Deposit, the Second Deposit, and the Third Deposit to be paid by cash within five business days upon signing the Share Transfer Agreement, and for the remaining balance of RMB20.79 million (equivalent to approximately HK\$23.63 million) to be paid by cash, within five business days upon the Share Transfer Date.

Conditions Precedent for Share Transfer Completion:

Completion of the Acquisition shall be conditional upon fulfillment of the following conditions on or before 30 September 2009 (the “Long-stop Date”) (or such later date as the parties may agree in writing):

- a) completion of the due diligence review on the affairs of the Target Company, including but not limited to the shareholding structure, legal, financial, licences, taxation, staffing arrangements and other aspects, to the satisfaction of the Purchaser or its nominee(s);
- b) all necessary consents, confirmations, permits, approval, licences and authorizations have been obtained from the holding company of the Purchaser’s board of directors, shareholders, the Stock Exchange, the SFC and all other relevant governmental or regulatory and other authorities in connection with the Acquisition and the transactions contemplated under the Share Transfer Agreement;

- c) all necessary consents, confirmations, permits, approval, licences and authorizations have been obtained from the Vendor's board of directors, shareholders, China Securities Regulatory Commission, Future Supervision and Management Institutions of State Council, and all other relevant governmental or regulatory and other authorities, agencies and departments in connection with the Acquisition and the transactions contemplated under the Share Transfer Agreement;
- d) the Vendor obtaining the unconditional and irrevocable waiver from the other shareholders of the Target Company on the pre-emptive rights on the Transfer, and the approval of all shareholders of the Target Company approving the Transfer; and
- e) the Vendor completes the register of changes and transfers formalities with the State Industrial and Commercial Administration and any other related regulatory authorities and covenants that the Purchaser or its nominated person becomes the only legally registered owner of the Sale Shares, and which has been properly recorded on the new memorandum and articles of association of the Target Company and its register of members.

To be qualified as a shareholder of a futures company in the PRC, the Hong Kong intermediary must be a licensed corporation under the SFO and permitted to engage in regulated activities and must not hold more than 49% of the sino-foreign jointly owned entity. The Company will engage a PRC lawyer to advise on the Acquisition.

Both the Purchaser and the Vendor agreed that none of the Conditions Precedent can be waived. In the event that any of the above Conditions Precedent cannot be fulfilled on or before the Long-stop Date or such later date as the parties may agree in writing, the Share Transfer Agreement will be terminated automatically. Save for defaulting party's failure to satisfy the Conditions Precedent, no party has any further legal liability under the Share Transfer Agreement and the Vendor has to refund and return all the deposits received to the Purchaser. Further announcements in relation to the Acquisition will be made by the Company as and when appropriate.

The Third Deposit and the remaining balance of the Consideration are to be financed by the internal resources of the Group. The deposit payments forms part of a mechanism agreed at arms length between the Purchaser and the Vendor to secure the performance of the contracting parties under the Share Transfer Agreement before the Share Transfer Completion. The Directors consider such arrangements to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Share Transfer Completion:

Completion of the Share Transfer Agreement shall take place upon the fulfillment of all Conditions Precedents.

Undertaking:

The Purchaser shall appoint an auditor (or other relevant parties,) to conduct an audit (the “April Audit”) on the assets and liabilities of the Target Company for the period from 31 December 2008 to 30 April 2009.

Should the net asset value as set out in the April Audit be lower than the net asset value as at 31 December 2008, the parties agree that the Vendor shall deposit cash representing 49% of such shortfall to the Target Company so as to sustain the Target Company’s net asset value as well as to provide with additional reserve as the Target Company intends to actively pursue its PRC business.

Breach of Contract:

It was agreed that if the Share Transfer Agreement cannot be completed due to the default of any party, the party in default agrees to pay liquidated damages of RMB2.00 million (equivalent to approximately HK\$2.27 million) (the “Indemnity”) to the counter party. Should the Share Transfer Agreement lapsed, the Vendor has to refund and return all the deposits paid, in accordance with the Purchaser’s instruction.

INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC in 1995 and provides brokerage services for dealing in financial and commodity futures contracts in the PRC and is owned as to 49% by the Vendor and as to 24.14%, 18.9% and 7.96% by 徐州新世紀經濟發展有限公司, 徐州市勝券投資有限公司, 徐州潤東實業集團有限公司 respectively. The Target Company is a licensed broker approved by China Securities Regulatory Commission.

Based on the PRC Audited Report prepared in accordance with Accounting Standard for Business Enterprises (2006 revised) 財政部2006年頒布的《企業會計準則》, as at 31 December 2008, the Target Company has an audited net asset value of approximately RMB35.70 million (equivalent to approximately HK\$40.57 million). The following table shows certain financial information of the Target Company for the two years ended 31 December 2008 and 31 December 2007:

	For the year ended 31 December 2008 RMB	For the year ended 31 December 2007 RMB
Net Profit before taxation	7,193,894	471,044
Net Profit after taxation	5,235,564	272,138

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of brokerage services for securities, futures and options and margin financing; electrical engineering contracting; and sale of electrical goods.

By entering into of the Share Transfer Agreement, the Company can extend the scope of its securities business to financial and commodity futures contracts dealings in the PRC to prepare itself as a full range financial services company. The Acquisition is in line with one of the existing principal business of the Group, being provision of brokerage services for securities, futures and options and margin financing. The Directors believe that the expanded scope of business of the Group into the futures brokerage business in the PRC would provide an extra income source for the Group. The Directors consider that the Acquisition is an appropriate strategic expansion and beneficial to the Group.

The Directors considered that the Acquisition could maintain the strategic partnership with the other shareholders of the Target Company, which have the management experience in the futures brokerage services in the PRC and thus is in the interests of the Shareholders and the Company as a whole.

The Directors consider that the terms of the Share Transfer Agreement to be fair and reasonable and on normal commercial terms and that the Acquisition is in the interests of Company and the Shareholders as a whole.

ISSUANCE OF CONVERTIBLE BONDS

The Subscription Agreement

On 22 May 2009 after trading hours, the Company and the Subscriber entered into the Subscription Agreement in respect of the issuance of the Convertible Bonds in the principal amount of HK\$128 million due on 31 December 2012 at an exercise price of HK\$0.16 per Conversion Share with the Option for the Subscriber to further subscribe Convertible Bonds up to a maximum principal amount of HK\$128 million convertible into a maximum of 800 million Shares. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below.

1. *Parties and Date*

Date: 22 May 2009 (after trading hours)

Issuers: the Company

Subscriber: the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is an Independent Third Party to the Company under the Listing Rules. The Subscriber has no relationship with each of the Target Company, Excalibur Securities Limited, Excalibur Futures Limited and Wealthy Aim Group Limited and their ultimate beneficiaries. The Subscriber is a company incorporated in the British Virgin Islands and is primarily engaged in the investment of local stocks.

2. Principal terms of the Convertible Bonds

Principal amount:	HK\$128,000,000
Issue price:	100% of the principal amount of the Convertible Bonds
Interest rate:	0%
Maturity:	31 December 2012
Status and Transfer:	<p>(a) The obligations of the Company arising under the Convertible Bonds constitute general, unconditional, unsecured and unsubordinated obligations of the Company, and rank and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. No application shall be made for a listing of the Convertible Bond in any jurisdiction.</p> <p>(b) Save with the prior written consent of the Company and prior written notice in relation to such transfer or assignment has been given to the Company, no assignment or transfer of the Convertible Bonds may be made. The Convertible Bond may only be transferred, if and only if, the transfer is made in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, applicable laws and regulations and the provisions as set out in the Subscription Agreement. In the event of a transfer to a connected person (as defined in the Listing Rules) of the Company, prior approval from the Company and the Stock Exchange should be obtained.</p>

- (c) Any assignment or transfer of the Convertible Bond shall be in respect of the whole or any part (in multiples of HK\$500,000) of the outstanding principal amount of the Convertible Bond. Title to the Convertible Bond passes only upon the cancellation of the existing certificate and the issue of a new certificate in accordance with conditions set out in the Subscription Agreement. The Convertible Bond Holder will (except as otherwise required by law) be treated as the absolute owner of the Convertible Bond for all purposes (whether or not overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the certificates issued in respect of them) and no person will be liable for so treating the Convertible Bond Holder.

- (d) The Convertible Bond may be transferred by delivery to the Company of a duly executed transfer form together with the certificate(s) for the Convertible Bonds being transferred. The Company shall, within five (5) Business Days of receipt of such documents from the Convertible Bond Holder, cancel the existing Convertible Bond, issue a new Convertible Bond and certificate in respect thereof under the seal of the Company in favour of the transferee or assignee as applicable and (if applicable) endorse the certificate of the transferor with the amount of the Convertible Bond so transferred.

- (e) Any legal and other costs and expenses which may be incurred by the Company in connection with any transfer or assignment of the Convertible Bond or any request thereof shall be borne by the transferee alone.

- (f) The Company shall maintain and give a full and complete register of the Convertible Bond Holder, the conversion, cancellation and destruction of the Convertible Bond, replacement Convertible Bond issued in substitution for any defaced, lost, stolen or destroyed Convertible Bond and of details and addresses of the Convertible Bond Holder from time to time. The Company shall make available such register to the Convertible Bond Holder for inspection at all reasonable times and will permit the Convertible Bond Holder to copy the same.

Payments:

- (a) All payments by the Company hereunder shall be made in immediately available funds free and clear of any withholdings or deductions for any present or future taxes, imposts, levies, duties or other charges payable by the Company. In the event that the Company is required by law to make any such deduction or withholding from any amount paid, the Company shall pay to Convertible Bond Holder such additional amount as shall be necessary so that the Convertible Bond Holder continues to receive a net amount equal to the full amount which it would have received if such withholding or deduction had not been made.
- (b) All payments by the Company hereunder shall be made, not later than 11:00 a.m. (Hong Kong time) on the due date, by remittance to such bank account in Hong Kong as the Convertible Bond Holder may notify the Company from time to time.
- (c) If the due date for payment of any amount in respect of the Convertible Bond is not a Business Day, the Convertible Bond Holder shall be entitled to payment on the next following Business Day in the same manner.

- (d) The Company shall not be obliged to make any payment on the redemption of the outstanding principal amount of the Convertible Bond until it has received the certificate for the Convertible Bond.

Redemption:

Unless previously converted, upon presentation the original certificate of the Convertible Bond on its maturity date to the Company at its address specified in the Subscription Agreement, the Convertible Bond shall be redeemed by the Company at its principal amount outstanding.

Conversion:

- (a) The Convertible Bond can be converted from time-to-time after its issuance and prior to the expiry of its maturity date in strict accordance with the terms of the Convertible Bonds.
- (b) No fraction of a Share shall be issued on conversion of the Convertible Bond. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit. Shares issued upon conversion shall rank *pari passu* in all respects with all other existing Shares outstanding as at the exercise date and be entitled to all dividends and other distributions, the record date of which falls on a date on or after the date of the conversion notice.
- (c) The Convertible Bond Holder shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

- (d) The Convertible Bond Holder shall not convert the Convertible Bond and the Company shall not issue any Conversion Shares if, upon such issue, the Convertible Bond Holder and the parties acting in concert with it, shall be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion. No Conversion Shares will be allotted and issued in respect of any breach of the provisions under this condition.

Events of default:

If any of the following events (“Events of Default”) occurs, the Convertible Bond Holder may give notice to the Company that the Convertible Bond, on the giving of such notice, are immediately due and payable at its principal amount then outstanding.

- (a) the listing of the Shares (as a class) on the Stock Exchange:
 - (i) ceases; or
 - (ii) is suspended for a continuous period of twenty one (21) Business Days, on each of which the Stock Exchange is generally open for trading, due to the default of the Company or any of its directors;

- (b) the Company defaults in performance or compliance with any of its obligations contained in the conditions, which breach or default is incapable of remedy or, if capable of remedy, is not remedied within fourteen (14) Business Days after notice of such breach or default is sent from the Convertible Bond Holder to the Company;
- (c) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Company or any of its subsidiaries;
- (d) the Company becomes insolvent or is unable to pay its debts as they mature or applies for or consents to the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors;
- (e) an order is made or an effective resolution passed for winding-up of the Company or any of its material subsidiaries;
- (f) the Company defaults in the payment of the principal in respect of the Convertible Bond when and as the same ought to be paid and such default is not remedied by the Company within seven (7) Business Days of the due date thereof;

- (g) any other debentures, bonds, notes, Convertible Bond or other instruments of indebtedness or any other loan indebtedness (“Indebtedness”) of the Company or any securities convertible into or exchangeable for shares (“Equity Linked Securities”) of the Company become prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or the Company or any of its subsidiaries defaults in the repayment of the Indebtedness or Equity Linked Securities at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any Indebtedness or Equity Linked Securities of others given by the Company or any of its material subsidiaries shall not be honored when due and called upon;

provided that notwithstanding the foregoing, if the Company shall fail to issue the Conversion Shares in accordance with the conditions, any Convertible Bond Holder shall be entitled to bring an action against the Company for either specific performance or damages. The Company shall forthwith on becoming aware of any such event as is mentioned in this condition give notice in writing thereof to the Convertible Bond Holder. At any time after the principal amount of the Convertible Bond has become payable, any of the Convertible Bond Holder may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

Voting:

The Convertible Bond Holder shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Convertible Bond Holder.

Based on the conversion price of HK\$0.16 per Conversion Share, a maximum number of 800 million Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 105.81% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 51.41% of the issued share capital of the Company to be enlarged by the allotment and issue of the Conversion Shares. Assuming 800 million Shares issued by the Company where the Convertible Bonds are all converted into Shares and the maximum of 800 million Shares are to be issued by the Company where the Optional Bond(s) are all converted into Shares, an aggregate of 1,600 million Shares will be issued, which represent (i) approximately 211.62% of the issued share capital of the Company as at the date hereof; and (ii) approximately 67.91% of the issued share capital of the Company to be enlarged by the allotment and issue of all the Conversion Shares.

The Convertible Shares shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares. There will not be any restrictions for the subsequent sale of the Conversion Shares by the Subscriber.

The Conversion Price of the Convertible Bonds (i) represent a discount of approximately 64.84% of the Last Trading Day; (ii) represent a discount of approximately 63.13% of the last five consecutive trading days; and (iii) represent a premium of approximately 3.90% over the Adjusted attributable NAV per Share of approximately HK\$0.154.

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

3. *Conditions precedent*

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) The Company and the Subscriber approving, by their respective shareholders in an extraordinary general meeting held for the purpose, to enter into the Subscription Agreement, including but not limited to the Option enshrined therein;

- (b) The holders of any existing and/or outstanding security instruments issued by the Company as at the date of the Subscription Agreement, including but not limited to the convertible bonds and the promissory notes issued by the Company as described in the announcements of the Company dated 30 May 2008, 24 September 2008, 16 March 2009 and 6 May 2009 respectively, granting their express consent to the issuance of the Convertible Bonds and the Optional Bond(s) pursuant to the Subscription Agreement;
- (c) The Subscriber completes and satisfies in its absolute discretion with the result of the due diligence to be conducted on the Company;
- (d) Each of the warranties remaining true and accurate in all material respects up to CB Subscription Completion;
- (e) The performance and observance by the Company of all the undertakings and covenants on the part of the Company contained in the Subscription Agreement;
and
- (f) The Listing Committee of the Stock Exchange shall have granted the listing of and permission to deal in the Conversion Shares.

The Subscriber shall have the discretion to waive all or any part of the conditions set out above except conditions (a), (b) and (f) and any waiver so granted may be subject to such conditions as the Subscriber may deem fit. Save as so waived, the parties shall use their respective best endeavors to ensure that the conditions set out above shall be fulfilled as soon as possible after execution of the Subscription Agreement, and in any event no later than the time referred below.

Save as otherwise stated, if the conditions set out above shall not have been fulfilled or waived by 5:00 p.m. (Hong Kong time) on the day falling 90 days of the date of execution of the Subscription Agreement (or such later date as the parties may agree in writing), the Subscription Agreement shall automatically terminate and none of the parties to the Subscription Agreement shall have any claim of any nature or liabilities hereunder whatsoever against any of the other parties under the Subscription Agreement (save for any antecedent breaches of the terms hereof).

4. Issuance and Subscription of the Convertible Bonds

On CB Subscription Completion, the Subscriber shall subscribe for the Convertible Bonds and the Company shall issue the Convertible Bonds to the Subscribers.

5. Completion

Completion shall take place in Hong Kong on the day immediately after which the conditions precedent set out in the Subscription Agreement are fulfilled and/or waived.

6. Subscription and Option

The subscription price of HK\$128,000,000.00 (the "Subscription Price") for the Convertible Bonds shall be satisfied by the Subscriber in cash which upon the CB Subscription Completion.

The Subscriber is also granted the Options to subscribe for the Optional Bond(s) to be issued by the Company in a maximum principal sum of HK\$128 million convertible into a maximum of 800 million Shares where the said Option is exercised and the Optional Bond(s) are all converted into Shares.

The Option and the Optional Bond(s) shall be governed by and shall benefit from the same terms and conditions as the Bonds issued pursuant to the Subscription Agreement save that:

- (i) no further option to subscribe for a convertible bond and/or an other security instrument whatsoever shall be granted;
- (ii) subject to condition (i) above, the Option may be exercisable within 12 months from the date of the Subscription Agreement becomes unconditional (and time shall be of essence) by serving written notice specifying the amount of the Optional Bond(s) to be subscribed;
- (iii) in the event that the Subscriber notifies the Company in writing of its intention to exercise the Option in accordance with clause (i) above, the Subscriber must subscribe for Optional Bond(s) in the minimum principal amount of HK\$10 million, which shall be satisfied by the Subscriber in cash upon the issuance of such Optional Bond(s); and

- (iv) Completion of the subscription of the Optional Bond(s) shall be take place on or before two (2) Business Days after the notice (referred above) is received by the Company.

REASON FOR THE ISSUANCE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Company considers that the issuance of Convertible Bonds is in the interest of shareholders and the Company as a whole. Given the volatility of the market and the prolonged economic downturn, the Board believes that it is important to maintain and/or enhance its cash position in order to prepare itself for possible investment opportunities and future resurging market.

The Directors have considered various financing methods, including both debt financing and equity financing. Nevertheless, in view of the volatile market and the conservative approach adopted by institutional lenders, debt financing is considered inappropriate under the present circumstances. In addition, the Company does not consider a rights issue or an open offer to be a better fund raising exercise at the present development stage of the Company. Even if the Company could succeed in procuring an underwriter, the Share to be issued in either a rights issue or an open offer would need to be at a deep discount in order to appear as attractive to such underwriter which would result in immediate and significant dilutions to Shareholders who do not participate. In contrast, the issuance of Convertible Bonds would provide sufficient funds for the Company to carry out its business so that existing Shareholders could enjoy the possible benefits without having to suffer potential immediate dilution or alternatively being forced to pay additional money.

The conversion price was agreed upon based on the recent closing prices of the Shares as quoted on the Stock Exchange and the Adjusted attributable NAV per Share of approximately HK\$0.154. Taking into account the current general market condition and the Directors considered that it is good time for raising funds for possible future investments. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The net proceeds from the issuance of the Convertible Bonds of approximately HK\$128 million will be used for the Acquisition, financing possible future investments of the Group and/or the general working capital of the Group.

As at the date hereof, except for the Share Transfer Agreement and the entering into of three conditional sale and purchase agreements per the announcement dated 16 March 2009 in respect of the acquisition of the remaining 49% interest in Excalibur Securities Limited, the acquisition of the remaining 49% interest in Excalibur Futures Limited and the acquisition of the entire interest in Wealth Aim Group Limited respectively, the Board has not identified any future investments which will require the Group to apply any of the net proceeds from this issue, and therefore all the net proceeds will be currently used for the Acquisition, possible futures investments and as general working capital of the Group.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the existing shareholding structure of the Company and the shareholding structure of the Company upon full conversion of Convertible Bonds, Optional Bonds, all other outstanding convertible bonds, full exercise of outstanding warrants and options under different scenarios are as follows:–

Shareholders	As at the date of this announcement		Upon full conversion of all Convertible Bonds and Optional Bonds <i>(Note 6)</i>		Upon full conversion of Convertible Bonds, Optional Bonds, all other outstanding convertible bonds, full exercise of outstanding warrants and options <i>(Note 6 & 7)</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Good Treasure Holdings Limited <i>(Note 1)</i>	108,000,000	14.29	–	–	N/A	N/A
The Subscriber <i>(Note 2)</i>	–	–	1,600,000,000	67.91	1,600,000,000	44.13
Lao Chio Kuan	200,000,000	26.45	–	–	–	–
Ample Wealth Group Limited <i>(Note 4)</i>	–	–	–	–	365,000,000	10.07
Top Good Holdings Limited <i>(Note 5)</i>	–	–	–	–	368,738,000	10.17
Public Shareholders:						
– Existing public Shareholders	394,322,000	52.15	394,322,000	16.74	394,322,000	10.88
– Holders of other convertible bonds due in 2012	–	–	–	–	385,000,000	10.62
– Holders of outstanding options	–	–	–	–	11,400,000	0.31
– Holders of outstanding warrants	–	–	–	–	12,000,000	0.33
– Pioneer (China) Limited <i>(Note 3)</i>	–	–	–	–	181,250,000	5.00
– Lao Chio Kuan	N/A	N/A	200,000,000	8.49	200,000,000	5.51
– Top Good Holdings Limited <i>(Note 5)</i>	53,738,000	7.11	53,738,000	2.28	N/A	N/A
– Good Treasure Holdings Limited <i>(Note 1)</i>	N/A	N/A	108,000,000	4.58	108,000,000	2.98
Total	<u>756,070,000</u>	<u>100.00</u>	<u>2,356,070,000</u>	<u>100.00</u>	<u>3,625,710,000</u>	<u>100.00</u>

Notes:

1. Good Treasure Holdings Limited is a company incorporated in the British Virgin Islands and whose entire equity is beneficially wholly-owned by Mr. Li Chun Sing, Andrew.
2. The Subscriber is a company incorporated in the British Virgin Islands and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited. The ultimate beneficial owner of Marvel Steed Limited and Southlead Limited is Mr. Wong Kam Fat and Ms. Ha Ying Yim respectively. All of them are Independent Third Parties to the Company under the Listing Rules and has no relationship with the Vendor and/or its ultimate beneficial owners.
3. Pioneer (China) Limited is owned as to approximately 50.92% by Mr. Lao Chio Kuan. As mentioned in the announcement of the Company dated 16 March 2009, a wholly-owned subsidiary of the Company, as the purchaser, entered into two conditional sale and purchase agreements on 6 March 2009 for the proposed acquisitions of the then remaining 49% interests in each of Excalibur Securities Limited and Excalibur Futures Limited respectively. The considerations are to be settled by way of issuing zero coupon convertible bonds in principal amount of HK\$19.2 million and HK\$9.8 million respectively at an exercise price of HK\$0.16 each. Hence, an aggregate of 181,250,000 Shares (representing 120,000,000 Shares and 61,250,000 Shares respectively) will be issued upon completion of the aforesaid proposed acquisitions.
4. Pursuant to a conditional sale and purchase agreement dated 6 March 2009, a wholly-owned subsidiary of the Company, as the purchaser, entered into a conditional sale and purchase agreement on 6 March 2009 for the proposed acquisition of the entire issued share capital in Wealthy Aim Group Limited. The consideration is to be settled by way of issuing zero coupon convertible bonds in principal amount of HK\$58.4 million (subject to adjustment) at an exercise price of HK\$0.16 each. Hence, 365,000,000 Shares will be issued upon completion of the acquisition of Wealth Aim Group Limited.
5. As at the date hereof, Top Good Holdings Limited (“Top Good”) is beneficiary interested in 53,738,000 Shares of the Company (representing approximately 7.11% of the issued share capital of the Company) and owns as to 115,000,000 zero coupon convertible bonds in principal amount of HK\$11,500,000 due in 2012. On 6 May 2009, the Company and Top Good entered into a subscription agreement in respect of the issuance of convertible bonds in the principal amount of HK\$32 million due three years from the date of issue at an exercise price of HK\$0.16 each. Top Good is a wholly owned subsidiary of PME Group Limited which is a company listed on the main board of the Stock Exchange.
6. These two columns are for illustration purpose only and will not occur as the conversion under the Convertible Bond is limited to 30% of the enlarged issued share capital of the Company.
7. The holders of other convertible bonds or outstanding options/warrants are Independent Third Parties to the Subscriber and the Vendor.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following are the fund raising activities of the Company during the past twelve months from the date of this announcement:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
30-May-08	Placing 500,000,000 Convertible Bonds	HK\$48,000,000	Repayment of outstanding indebtedness, expansion of margin financing business and general working capital	As intended
24-Sep-08	Placing 80,000,000 new Shares under general mandate	HK\$19,300,000	Expansion of margin financing business	HK\$10,000,000 used as intended
6-May-09	Issuance of 200 million convertible bonds at an exercise price of HK\$0.16 in principal amount of HK\$32 million	HK\$32,000,000	The Acquisition, possible future investments and/or general working capital	the Company received only HK\$16,000,000 as deposit and the subscription is yet to be completed

LISTING RULES IMPLICATION

As at the date of this announcement, as the Company did not have a general mandate to issue and allot Shares, the issue of the Conversion Shares upon the conversion of the Convertible Bonds will be made under a specific mandate. The specific mandate for the issue of the Conversion Shares upon the conversion of the Convertible Bonds will be subject to the approval of the Shareholders at the EGM.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Subscriber is an Independent Third Party and none of the Shareholders have any material interest in the Subscription Agreement. There are no arrangements or proposals to use any proceeds from the issue of the Convertible Bonds for repayment of any amounts due to the existing Shareholders (currently no creditor of the Group is a Shareholder). Accordingly, no Shareholder is required to abstain from voting at the EGM to be convened to approve the Subscription Agreement and the transactions contemplated thereunder.

The Directors, including the independent non-executive Directors, believe the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

In accordance with Rule 14.07, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the approval of Shareholders at the EGM. The Company will seek the approval of its Shareholders at the EGM to be convened and held by the Company to approve the Share Transfer Agreement and the transactions contemplated thereunder.

Completion of each of the Share Transfer Agreement and the Subscription Agreement is not dependent upon the completions of each of the other agreements.

Circular(s) containing, among others, (i) further details of the Acquisition and information on the Target Company; (ii) the accountants' report on the Target Company; (iii) pro forma financial information of the enlarged Group; (iv) details of the issuance of Convertible Bonds; together with (v) notice of the EGM will be dispatched to Shareholders as soon as possible in accordance with the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 25 May 2009 pending for the release of this announcement. Application has been made for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 May 2009.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Share Transfer Agreement;
“Adjusted attributable NAV”	the unaudited consolidated attributable net assets value of the Company as at 30 September 2008 with adjustments from (a) the acquisition of 51% Excalibur Securities Limited; (b) the acquisition of Excalibur Futures Limited; (c) the issuance of 80 million new Shares at the issue price of HK\$0.25 per Share; (d) the issuance of HK\$50 million zero interest convertible notes due in 2012; and (e) the full conversion of convertible bonds by Mr. Lao Chio Kuan, all of which were completed in February 2009 and subsequent to the date of the interim accounts of the Group for the six months ended 30 September 2008;
“associate”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	A day (other than Saturday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business;
“Conditions Precedent”	Conditions for completion of the Share Transfer Agreement and the transactions contemplated thereunder;
“Convertible Bond Holder(s)”	means the person who is for the time being the holder of the Convertible Bonds;

“Company”	China Fortune Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange;
“CB Subscription Completion”	Completion of the Subscription Agreement in accordance with its terms and conditions;
“connected person”	Has the meaning ascribed thereto in the Listing Rules;
“Conversion Shares”	The Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds;
“Convertible Bonds”	The zero coupon convertible bonds in principal amount of HK\$128 million due on 31 December 2012 from the date of issue to be issued by the Company to the Subscriber pursuant to the Subscription Agreement;
“Conversion Price”	HK\$0.16 per Share;
“Directors”	the directors of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve (i) the Acquisition and the transactions contemplated thereunder; and (ii) the issuance of the Convertible Bonds, Optional Bonds and Convertible Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“First Deposit”	a deposit of RMB3.00 million (equivalent to approximately HK\$3.41 million) paid by the Purchaser pursuant to the terms of the First Memorandum;
“First Memorandum”	A non-legally binding memorandum entered into between the Purchaser and the Vendor on 9 December 2008;

“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	Shareholders other than the Subscriber;
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company and are not connected persons (as defined under the Listing Rules) of the Company;
“Last Trading Day”	22 May 2009, being the last trading day before the date of this announcement;
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Option”	the option granted to the Subscriber to further exercise for the Optional Bond(s) convertible into a maximum of 800 million Shares;
“Optional Bond(s)”	the convertible bond to be issued by the Company upon exercise of the Option by the Subscriber, in a principal sum of HK\$128 million convertible into a maximum of 800 million Shares;
“Purchaser”	Fortune Financial (Holdings) Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company;

“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC Audited Report”	the audit report of the Target Company for the financial year ended 31 December 2008;
“Sale Shares”	the 49% equity interest in the Target Company;
“Second Deposit”	a deposit of RMB30.04 million (equivalent to approximately HK\$34.14 million) paid by the Purchaser pursuant to the terms of the Second Memorandum;
“Second Memorandum”	a non-legally binding memorandum entered into between the Purchaser and the Vendor on 4 March 2009;
“SFC”	the Securities and Futures Commission;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Share Transfer Agreement”	the share transfer agreement dated 22 May 2009 entered into among the Purchaser and the Vendor in relation to the Acquisition;
“Share Transfer Completion”	Completion of the Share Transfer Agreement;
“Share Transfer Date”	the date on which all Conditions Precedent have been fulfilled and the Purchaser or its nominated person becomes the only legally registered owner of the Sale Shares in the Target Company and which has properly been recorded on the new memorandum and articles of association of the Target Company and its register of members;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Jadehero Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 60% by Marvel Steed Limited and as to 40% by Southlead Limited, the ultimate beneficial owners of both of Marvel Steed Limited and Southlead Limited are Independent Third Party to the Company under the Listing Rules;
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 22 May 2009 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds as its face value;
“Target Company”	新紀元期貨有限公司 (#New Era Futures Co., Ltd), a company established in the PRC engaged in brokerage services for dealing in financial and commodity futures contracts in the PRC;
“Third Deposit”	a deposit of RMB5.00 million (equivalent to HK\$5.68 million) to be paid by the Purchaser to the Vendor in cash within 5 business days upon the signing of the Share Transfer Agreement;
“Transfer”	the transfer of the Sale Shares from the Vendor to the Purchaser under the Share Transfer Agreement;
“Valuation Date”	30 April 2009, the date on which the valuation on the assets and liabilities of the Target Company as set out in the Valuation Report;

“Valuation Report”	the report on valuation on the assets and liabilities of the Target Company as at 30 April 2009;
“Vendor”	深圳市華德石油化工有限公司 (#Shenzhen Huade Petrochemical Company Limited), a company established in the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Reminbi, the lawful currency of the PRC; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB0.88 to HK\$1.00. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

the English translation of the Chinese name is for information purpose only and should not be regarded as the official English translation of such Chinese name.

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

Hong Kong, 27 May 2009

As at the date of this announcement, the Board consists of three Executive Directors, namely Mr. Sun Tak Yan, Desmond (Chairman), Mr. Ng Cheuk Fan, Keith (Managing Director) and Mr. Yeung Kwok Leung; and three Independent Non-executive Directors, namely Mr. Tam B Ray Billy, Mr. Ng Kay Kwok and Mr. Lam Ka Wai, Graham.