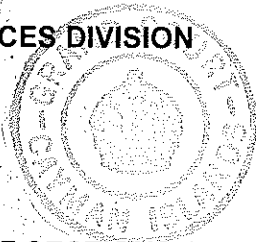


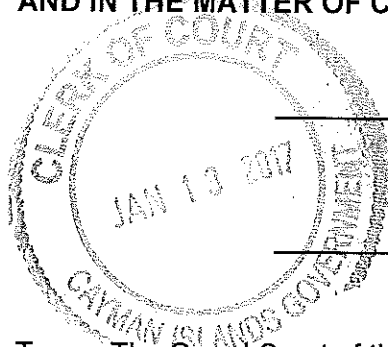
IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION



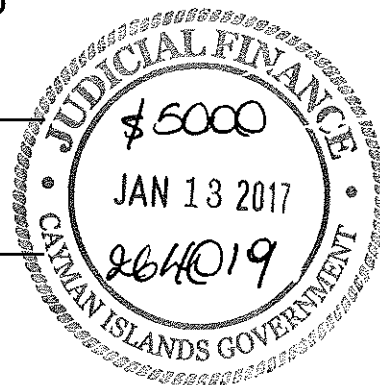
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FSD CAUSE NO: OF 2017 ( )

IN THE MATTER OF SECTIONS 14 TO 16 OF THE COMPANIES LAW (2016 REVISION)

AND IN THE MATTER OF CHINA FORTUNE FINANCIAL GROUP LIMITED



PETITION



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of China Fortune Financial Group Limited (the "Company") of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, shows that:

**Purpose**

- 1 The object of this Petition is to seek an Order of the Court pursuant to section 16 of the Companies Law (2016 Revision) (the "Companies Law") confirming a reduction of the capital of the Company, which has been approved by special resolution of the Company's shareholders.

**Background**

- 2 The Company was incorporated and registered on 2 January 2001 as an exempted company limited by shares. The Company's initial name was "Yew Sang Hong (Holdings) Limited", however, this was changed to "Hong Tong Holdings Limited" by special resolution dated 4 April 2003 and again changed to "China Conservational Power Holdings Limited" by special resolution dated 27 February 2004. The Company further changed its name by special

resolution dated 3 November 2008 to "*China Fortune Group Limited*" and finally changed to its current name, "*China Fortune Financial Group Limited*" by special resolution dated 19 August 2011. The current Chinese name of the Company is "中國富強金融集".

- 3 The registered office of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business is at 35F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- 4 The objects for which the Company was formed are unrestricted but include, without limitation, to carry on business as an investment company and as an investment holding company and to carry out the other objects more particularly set forth in the Company's Amended and Restated Memorandum and Articles of Association (the "**Articles**") adopted by special resolution on 26 March 2012 (as amended from time to time).
- 5 Since 3 May 2001 the shares of the Company have been listed and traded on The Stock Exchange of Hong Kong (the "**HK Stock Exchange**").
- 6 The principal activities of the Group for which the Company serves as the investment holding company are securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.

#### **Company's share capital – History**

- 7 The Company was incorporated and registered with an authorised share capital of HK\$350,000.00 divided into 3,500,000 shares with a nominal or par value of HK\$0.10 each.
- 8 On 3 April 2001, by way of ordinary resolution, the authorised share capital of the Company was increased from HK\$350,000.00 to HK\$100,000,000.00 by the creation of an additional 996,500,000 shares of HK\$0.10 par value each.
- 9 On 17 July 2008, by way of ordinary resolution, the authorised share capital of the Company was increased from HK\$100,000,000.00 to HK\$500,000,000.00 by the creation of an additional 4,000,000,000 shares of HK\$0.10 par value each.

- 10 Accordingly, as at the date of this Petition, the Company's authorised share capital is HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each. As at the date of this Petition, the total issued share capital is HK\$403,672,885.90 comprising 4,036,728,859 shares of HK\$0.10 (the "**Shares**"), each of which is fully paid.

#### **Power to reduce the Company's share capital**

- 11 Pursuant to Article 63(b) of the Articles, the Company has the power to reduce its share capital by special resolution subject to the Companies Law. Article 63(b) provides as follows:

*"The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Law."*

- 12 By a special resolution duly passed in accordance with the Articles and Section 60 of the Companies Law at an extraordinary general meeting of the Company's shareholders held on 5 January 2017 at 35F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong (the "**EGM**") it was resolved:

*"THAT subject to and conditional upon (i) the approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the "**Court**"), (ii) the compliance with any conditions which the Court may impose in relation to the Capital Reduction; (iii) the registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Law Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands with respect to the Capital Reduction; and (iv) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the New Shares (as defined below) arising from the Capital Reduction:*

- (A) *the issued share capital of the Company be reduced from HK\$403,672,885.90 to HK\$40,367,228.59 by: (i) the cancellation of HK\$0.09 paid-up capital on each issued share so that each issued share shall be treated as one fully paid-up share of HK\$0.01 each in the capital of the Company; (ii) the reduction of the nominal value of each authorised but unissued share from HK\$0.10 to HK\$0.01 (the*

*"Capital Reduction"), such that the authorised 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 (the "New Shares"); and*

*(B) the credit arising from the Capital Reduction in the amount of approximately HK\$363,305,597.31 be credited towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company."*

### **Purpose of the Capital Reduction**

- 13 As at 31 March 2016, the Company had accumulated losses of approximately HK\$675,900,000 (the "**Accumulated Losses**"). The Board of Directors of the Company has determined that these Accumulated Losses are permanent.
- 14 The Company proposes that the credit item of HK\$363,305,597.31 arising upon the confirmation of the reduction of capital be applied against the Accumulated Losses of the Company, thus reducing those permanent losses to HK\$312,594,402.69. Unless the Company can generate net profits in excess of HK\$312,594,402.69 starting from 1 April 2016 and thereby transform the outstanding accumulated losses into retained earnings, the Company will be unable to announce or distribute any dividends by way of debiting the account of accumulated losses.
- 15 In addition to applying the credit item arising upon the capital reduction against permanent losses, the other purpose of the Capital Reduction is to give greater flexibility to the Company to declare dividends as and when the Board considers that it is appropriate to do so in the future and, more specifically, to enable the Company to raise capital in the total gross sum of HK\$570,000,000 arising from the issuance of convertible bonds (the conversion price per conversion shares is HK\$0.06 (subject to adjustments) which is less than the current par value per share).
- 16 Further, the Capital Reduction will enable the nominal or par value of the Shares to be reduced from HK\$0.10 to HK\$0.01 each, thus giving greater flexibility to the Company in

terms of pricing future share issuances should the Board consider it prudent or advisable to raise funds in this way. In this regard, the Company is not permitted pursuant to its Articles of Association and the Companies Law, to issue new Shares below their nominal or par value without, amongst other things, approval of the Grand Court. A post-capital reduction par value of HK\$0.01 per share of the Company (compared with the current HK\$0.10) would maximise the Company's flexibility in terms of new share issuances and raising capital for the future needs of the Company.

- 17 The proposed capital reduction does not involve the diminution of any liability in respect of unpaid capital or the payment of any shareholder of any paid-up capital.

#### **Minute of Order**

- 18 The form of Minute proposed to be registered is as follows:

*"The capital of China Fortune Financial Group Limited (the "**Company**") was, by virtue of a Special Resolution passed on 5 January 2017 and confirmed by an Order of the Grand Court of the Cayman Islands, reduced from HK\$500,000,000 comprising 5,000,000,000 shares of a nominal or par value of HK\$0.10 to HK\$50,000,000 comprising 5,000,000,000 shares of a nominal or par value of HK\$0.01 each.*

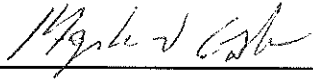
*At the date of the registration of this minute, 4,036,728,859 shares in the Company have been issued and are deemed to be fully paid up. On the said reduction of capital taking effect, the authorised share capital of the Company will be 5,000,000,000 shares of a nominal or par value of HK\$0.01 each, of which 4,036,728,859 shares are issued and are fully paid up and the remainder are unissued."*

#### **AND THE PETITIONER HUMBLY PRAYS AS FOLLOWS:**

- 1 That the capital reduction of the Company proposed to be effected by the Special Resolution referred to in paragraph 12 of this Petition be confirmed by the Court.
- 2 That the Minute referred to in paragraph 18 of this Petition be approved by the Court.
- 3 That, to this end, all necessary inquiries may be made and directions may be given.

4 Such further or other order as the Court sees fit.

Dated this 13 day of January 2017



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Maples and Calder

**NOTE:** This petition is not intended to be served on anyone.