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CHINA INNOVATIVE FINANCE GROUP LIMITED

中國新金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

AMENDMENTS TO US\$40,000,000 SECURED CONVERTIBLE BONDS AND EARLY REDEMPTION OF THE CONVERTIBLE BONDS

Reference is made to the announcements (the “**Announcements**”) of China Innovative Finance Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 July 2016 and 16 August 2016. Unless the context requires otherwise, capitalized terms used herein but not otherwise defined shall have the same meanings as those given to them in the Announcements.

AMENDMENTS TO THE TERMS OF THE CONVERTIBLE BONDS

On 16 August 2016, the Company issued the Convertible Bonds in the aggregate principal amount of US\$40,000,000 to the Subscriber.

On 7 October 2016, the Company and the Subscriber entered into a supplemental deed (the “**Supplemental Deed**”), pursuant to which the Company and the Subscriber agreed to amend the terms of the Convertible Bonds to the effect that the Company may, at any time prior to the maturity of the Convertible Bonds and by giving the Subscriber not less than three trading days’ notice (or such shorter time as agreed to by the Subscriber in writing), redeem the outstanding Convertible Bonds, in whole or in part, at the Applicable Redemption Amount. Save and except for the aforesaid, all other terms of the Convertible Bonds remained unchanged. The amendments to the Convertible Bonds have been approved by the Stock Exchange on 6 October 2016.

EARLY REDEMPTION

On 7 October 2016, the Company issued a redemption notice to the Subscriber exercising its redemption right to partially redeem the Convertible Bonds in the principal sum of US\$10,000,000 at the Applicable Redemption Amount.

The partial redemption of the outstanding Convertible Bonds by the Company was funded by the internal resources of the Group.

Completion of the early redemption took place on 17 October 2016.

As at the date of this announcement and prior to the redemption, none of the Convertible Bonds has been converted, redeemed, purchased or cancelled.

Based on the initial Conversion Price of HK\$0.72, a maximum number of 325,000,000 Conversion Shares may fall to be allotted and issued upon exercise by the Bondholders of the Conversion Rights attaching to the outstanding principal of the Convertible Bonds (i.e. US\$30,000,000) in full.

EFFECT ON SHAREHOLDING OF THE COMPANY

As at the date of this announcement, the Company had 19,188,648,437 Shares in issue. For illustration purpose only, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full conversion of the outstanding principal of the Convertible Bonds (i.e. US\$30,000,000) at the initial Conversion Price (assuming that there is no other change in the existing shareholding of the Company); and (iii) immediately after full conversion of the remaining balance of the Convertible Bonds at the initial Conversion Price, full conversion of the convertible Bonds issued by the Company on 24 December 2015 at the initial conversion price of HK\$0.72 and full conversion of the convertible bonds issued by the Company on 28 October 2015 at the initial conversion price of HK\$0.68 (collectively, the “**Three Series of Convertible Bonds**”) (assuming that there is no other change in the existing shareholding of the Company) are as follows:

Shareholders	As at the date of this announcement		Immediately after full conversion of the outstanding principal of the Convertible Bonds (assuming that there is no other change in the existing shareholding of the Company)		Immediately after full conversion of the Three Series of Convertible Bonds at their respective initial conversion price (assuming that there is no other change in the existing shareholding of the Company)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
山東高速集團有限公司 (Shandong Hi-Speed Group Co. Limited) (Note 1)	5,459,648,350	28.45	5,459,648,350	27.98	5,459,648,350	26.61
Li Shao Yu (Note 2)	3,547,689,650	18.49	3,547,689,650	18.18	3,547,689,650	17.29
Ji Kewei (Note 3)	2,172,694,315	11.32	2,172,694,315	11.13	2,172,694,315	10.59
NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited) (Note 4)	1,662,330,000	8.66	1,662,330,000	8.52	1,662,330,000	8.10
Huang Rulun (Note 5)	1,320,000,000	6.88	1,320,000,000	6.76	1,320,000,000	6.43
Other public shareholders	5,026,286,122	26.19	5,026,286,122	25.76	5,026,286,122	24.49
Holder of convertible bonds issued on 28 October 2015	—	—	—	—	573,529,411	2.79
Holder of convertible bonds issued on 24 December 2015	—	—	—	—	433,333,333	2.11
The Subscriber	—	—	325,000,000	1.67	325,000,000	1.58
Total	19,188,648,437	100.00	19,513,648,437	100.00	20,520,511,181	100.00

Notes:

1. 山東高速集團有限公司 (Shandong Hi-Speed Group Co. Limited) is deemed to be interested in 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the Securities and Futures Ordinance (“SFO”) by virtue of Shandong Hi-Speed (Hong Kong) International Capital

Limited being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, which in turn is a subsidiary of Shandong International (Hong Kong) Limited. Shandong International (Hong Kong) Limited is in turn a subsidiary of 山東省農村經濟開發投資公司, which is wholly-owned by 山東高速集團有限公司 (Shandong Hi-Speed Group Co. Limited).

2. Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited being a subsidiary of Win Team Investments Limited, which is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by Asia Link Capital Investment Holdings Limited pursuant to the SFO by virtue of her 100% beneficial interest in Asia Link Capital Investment Holdings Limited.
3. Mr. Ji Kewei, the Director, is deemed to be interested in the 2,167,076,338 Shares held by China Hover Dragon Group Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited (wholly-owned by Mr. Ji Kewei) holding 50% issued shares of China Hover Dragon Group Limited. Mr. Ji Kewei is personally interested in 5,617,977 Shares as part of annual emolument for his terms of office as executive director, deputy chairman and chief executive of the Company commencing from 11 September 2015.
4. NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited) is deemed to be interested in the 1,662,330,000 Shares held by Skytop Technology Limited pursuant to the SFO by virtue of Skytop Technology Limited being a subsidiary of Perfect Touch Technology Inc., which in turn is a subsidiary of NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited).
5. Mr. Huang Rulun is deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co. Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co. Ltd.

The Company will ensure that it will comply with the requirements on public float under the Listing Rules from time to time.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL DEED AND THE EARLY REDEMPTION

The entering into of the Supplemental Deed and the early redemption of the Convertible Bonds will enable the Company to better manage its capital structure with more flexibility, reduces the Company's future financial expenses and lowers its financial gearing level.

The Directors (including the independent non-executive Directors) are of the view that it is in the interests of the Company and its shareholders as a whole to enter into the Supplemental Deed and to make early redemption of the Convertible Bonds.

By Order of the Board
China Innovative Finance Group Limited
Ji Kewei
Deputy Chairman

Hong Kong, 17 October 2016

As at the date of this announcement, the Company has three executive directors, being Mr. Ji Kewei, Mr. Yau Wai Lung and Mr. Ma Chao; one non-executive director, being Mr. Qiu Jianyang; and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.