

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

VOLUNTARY ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION OF FINANCIAL CONSULTANCY BUSINESS

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

The Board is pleased to announce that on 9 December 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into a non-legally binding MOU with the Seller for the proposed acquisition of the Target Company which, together with its subsidiaries upon completion of the Reorganisation, principally engage in the business of provision of financial consultancy services in the PRC.

WARNING

The Board wishes to emphasize that, except for certain provisions, the MOU is not legally binding and may or may not lead to the entering into of the Definitive Agreement. The Proposed Acquisition is subject to, among other things, the entering into of the Definitive Agreement, the terms of which are yet to be finalized. The Proposed Acquisition is also subject to and conditional upon such conditions as may be agreed by the parties to the Definitive Agreement. There is no assurance as to whether and when the Proposed Acquisition will take place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

If the Definitive Agreement is entered into, it is expected that the Proposed Acquisition may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate.

INTRODUCTION

This announcement is made by the Company on a voluntary basis.

The Board is pleased to announce that on 9 December 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into a non-legally binding MOU with the Seller for the proposed acquisition of the Target Company which, together with its subsidiaries upon completion of the Reorganisation, principally engage in the business of provision of financial consultancy services in the PRC.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ACQUISITION

Date: 9 December 2015

Parties: (1) the Purchaser, a wholly-owned subsidiary of the Company, being the purchaser of the Target Company; and

(2) the Seller, being the seller of the Target Company

The Target Business is currently owned by shareholders independent to the Company. The shareholders of the Target Business and the Seller intends to undergo the Reorganisation relating to the Target Business, such that upon completion of the Reorganisation, the Seller shall hold the entire interest in the Target Business through the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Seller, the Target Business and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

Under the MOU, subject to completion of the Reorganisation and satisfaction of the conditions precedent as agreed and set out in the Definitive Agreement, the Purchaser intends to acquire the entire issued share capital of the Target Company from the Seller.

The Target Business, which will be wholly-owned by the Target Company upon completion of the Reorganisation, is principally engaged in the provision of financial consultancy business in the PRC, including investment consultancy, financial consultancy, business consultancy, corporate governance advisory and investments and assets management. In particular, the Target Business provides referral and consultation services to the targeted corporate borrower(s) of a number of authorised lender(s) in the PRC for their financing business, and in return the Target Business receives consultancy fees from these corporate borrower(s) at a predetermined rate based on the principal loan amount of the financing obtained from the lender(s).

Consideration

The consideration of the Proposed Acquisition may comprise of cash and new shares to be issued by the Company. The Parties shall further negotiate the amount of the consideration of the Proposed Acquisition and the payment terms.

Profit Guarantee

The Seller shall, and shall procure appropriate person(s) and/or entity(ies) as agreed by both Parties to act as guarantor(s) to, guarantee the net profit of the Target Group in the next three years after completion of the Proposed Acquisition, details of which will be subject to further negotiations.

Due diligence review

The Seller shall allow the Purchaser and its representatives and advisors to conduct detailed due diligence regarding the Target Group within reasonable time. Subject to reasonable prior notice from the Purchaser, the Purchaser shall be granted the right to access to the properties and management teams of the Target Group. The financial, business and legal due diligence reviews on the Target Group shall commence after the signing of the MOU.

Definitive Agreement

The Parties shall in good faith negotiate and use their best endeavours to enter into the Definitive Agreement on or before 31 March 2016 (or such other date as may be extended by mutual agreement of the Parties).

The MOU shall be terminated (i) upon execution of the Definitive Agreement; (ii) 31 March 2016 (or such other date as may be extended by mutual agreement of the Parties) if no Definitive Agreement is entered into by then; or (iii) by mutual written agreement of the Parties.

Upon termination of the MOU, the Parties shall be released from their obligations under the MOU, except for the provisions relating to confidentiality, expenses and the governing law of the MOU which shall remain in full force and effect.

Exclusivity

It is agreed in the MOU that the Seller shall not, and shall procure the Target Company and its shareholders not to, engage, nor engage any third party on its behalf to engage, in any discussions or negotiations with or accept, any offers from any other third party regarding the Proposed Acquisition (or the proposed acquisition of interest in any member of the Target Group or its business, or any part thereof), during the exclusivity period. The exclusivity period is the period from the date of the MOU up to (i) the date of signing of the Definitive Agreement; (ii) 31 March 2016 (or such other date as may be extended by mutual agreement of the Parties) if no Definitive Agreement is entered into by then; or (iii) date of termination of the MOU.

Non legally-binding effect

Save for the provisions relating to exclusivity, confidentiality, expenses, public announcement, legal effect and governing law in the MOU, which are legally binding on the Parties, the MOU is intended to record the preliminary understanding of the Proposed Acquisition agreed between the Parties in principle and, therefore, is not intended to create legal obligations on the Parties.

REASONS FOR THE PROPOSED ACQUISITION

The Company is an investment holding company. The Group is principally engaged in financial leasing services, operating a financial leasing transaction services platform, investment in listed securities and money lending.

As stated in the management's discussion and analysis of the annual report of the Company for the year ended 31 March 2015, the Group intends to expand into a variety of financial services serving the PRC markets and is actively seeking other acquisition opportunities in the area of financial services in the PRC to enhance its performance and increase shareholders'

value. In September 2015, in line with its business strategy, the Group completed the acquisition of a company providing financial leasing services in the PRC, including a financial leasing transaction services platform with cross-border Renminbi business products and integrated financial products.

The Directors believe that the Target Group will provide business synergies to the Group and enhance its income source. The Proposed Acquisition will allow the Group to diversify its financial consultancy business platform, strengthen its business positioning as a leading financial services provider in the PRC and pursue its strategy as set out in the annual report.

WARNING

The Board wishes to emphasize that, except for certain provisions, the MOU is not legally binding and may or may not lead to the entering into of the Definitive Agreement. The Proposed Acquisition is subject to, among other things, the entering into of the Definitive Agreement, the terms of which are yet to be finalized. The Proposed Acquisition is also subject to and conditional upon such conditions as may be agreed by the parties to the Definitive Agreement. There is no assurance as to whether and when the Proposed Acquisition will take place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

If the Definitive Agreement is entered into, it is expected that the Proposed Acquisition may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Board”	the board of Directors
“Company”	China Innovative Finance Group Limited (中國新金融集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 412)
“Definitive Agreement”	the formal share purchase agreement in relation to the Proposed Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 9 December 2015 and entered into between the Purchaser and the Seller for the Proposed Acquisition

“PRC” or “China”	the 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
“Parties”	the parties to the MOU, namely, the Purchaser and the Seller, each a “Party”
“Proposed Acquisition”	the proposed acquisition of the entire issued share capital of the Target Company
“Purchaser”	Viewlock Limited (視樂有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company
“Reorganisation”	the reorganisation by the shareholders of the Target Business and the Seller relating to the Target Business, upon completion of which the Seller shall hold the entire interest in the Target Business through the Target Company
“Seller”	a company incorporated under the laws of the British Virgin Islands with limited liability, which upon completion of the Reorganisation, shall hold the entire interest of the Target Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Business”	a limited liability company incorporated in the PRC, which together with its subsidiaries are principally engaged in the business of provision of financial consultancy services in the PRC, the entire interest of which will be held by the Target Company upon completion of the Reorganisation
“Target Company”	a company incorporated under the laws of the British Virgin Islands with limited liability, which upon completion of the Reorganisation shall hold the entire interest of the Target Business
“Target Group”	the Target Company and its subsidiaries upon completion of the Reorganisation
“%”	per cent.

In this announcement, unless the context requires otherwise, the terms “connected person(s)” and subsidiary(ies)”, shall have the meanings given to such terms in the Listing Rules.

For and on behalf of
China Innovative Finance Group Limited
Ji Kewei
Deputy Chairman

Hong Kong, 9 December 2015

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.