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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)

ANNOUNCEMENT

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF 40% EQUITY INTEREST
IN THE TARGET COMPANY
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

THE ACQUISITION

The Board is pleased to announce that on 25 April 2017, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement with the Seller and Shandong Rural (as guarantor for the Seller), pursuant to which the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell, 40% of the issued share capital of the Target Company in accordance with the terms and conditions of the Agreement. Shandong Rural has agreed to guarantee to the Purchaser the performance of all obligations of the Seller under the Agreement.

The Consideration shall be HK\$1,500,000,000, which shall be satisfied by the allotment and issuance by the Company of 5,000,000,000 Consideration Shares at the Issue Price of HK\$0.3 per Consideration Share to the Seller at Completion. The Consideration Shares will be issued under a specific mandate to be sought at the SGM. Immediately upon Completion, the Company will indirectly hold 40% of the total issued share capital of the Target Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Seller and its concert parties were interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. The Seller is an associate of a substantial shareholder and hence, a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but are all less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Seller and its concert parties were interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. Immediately upon completion of the Acquisition, the Seller and its concert parties will hold 10,459,648,350 Shares, representing approximately 43.2% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares. The Seller will incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Seller and its concert parties in the absence of the Whitewash Waiver.

An application will be made on behalf of the Seller to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. The Whitewash Waiver, if granted by the Executive, would be subject to approval by the Independent Shareholders by way of poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Agreement shall lapse and the Acquisition will not proceed.

The Seller and its concert parties will (and any other Shareholder who is involved or interested in the Acquisition, the Specific Mandate and the Whitewash Waiver will be required to) abstain from voting in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM.

WHITEWASH INDEPENDENT BOARD COMMITTEE AND CT INDEPENDENT BOARD COMMITTEE

Pursuant to the Takeovers Code, the Whitewash Independent Board Committee (comprising all the independent non-executive Directors and non-executive Directors, save and except for Mr. Li Hang as explained below) has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. As Mr. Li Hang, a non-executive Director, also holds directorship(s) with the Seller's associates, he has not been included as a member of the Whitewash Independent Board Committee.

Pursuant to the Listing Rules, the CT Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder and the Specific Mandate.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Octal Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Whitewash Independent Board Committee and CT Independent Board Committee to advise the Whitewash Independent Board Committee, the CT Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable, and to make recommendation(s) on voting.

SGM

The SGM will be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. The Seller and its concert parties will (and any other Shareholder who is involved or interested in the Acquisition, the Specific Mandate and the Whitewash Waiver will be required to) abstain from voting on the resolutions to be proposed at the SGM for approving the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Whitewash Independent Board Committee and the CT Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Whitewash Independent Board Committee and the CT Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; and (iv) the notice of the SGM and forms of proxy, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

The Company may require additional time for finalising the information for inclusion in the circular such as the financial information of the Group and the Target Group. If required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code for the extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE GRANTING OF THE WHITEWASH WAIVER BY THE EXECUTIVE, AND CONSEQUENTLY THE ACQUISITION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

THE AGREEMENT

The Board is pleased to announce that on 25 April 2017, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement with the Seller and Shandong Rural (as guarantor to the Seller), pursuant to which the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell, 40% of the issued share capital of the Target Company in accordance with the terms and conditions of the Agreement.

Details of the Agreement are set out below:

The Agreement

Date

25 April 2017

Parties

- (1) the Purchaser as purchaser;
- (2) the Seller as seller; and
- (3) Shandong Rural as guarantor to guarantee the performance of the Seller's obligations under the Agreement.

As at the date of this announcement, the Seller and its concert parties were indirectly interested in 28.5% of the total issued share capital of the Company through its indirect wholly-owned subsidiary. Accordingly, the Seller is a connected person of the Company.

Subject matter

The Purchaser agreed to acquire, and the Seller agreed to sell, 40% of the issued share capital of the Target Company, subject to the terms and conditions of the Agreement.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Seller. Immediately upon Completion, the Target Company will be owned as to 60% by the Seller and 40% by the Purchaser respectively, and its financial results will not be consolidated into the financial statements of the Group.

Consideration

The Consideration shall be HK\$1,500,000,000, which shall be satisfied by the allotment and issuance of 5,000,000,000 Consideration Shares at the Issue Price of HK\$0.3 per Consideration Share by the Company to the Seller at Completion.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange.

Issue Price

The Issue Price represents:

- (a) a discount of about 6.3% over the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (b) a discount of about 3.2% over the average of the closing prices of HK\$0.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of about 130.8% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.13 per Share as at 30 September 2016 as published in the Company's interim report, calculated based on the unaudited net assets attributable to the Shareholders of approximately HK\$2,515,249,000 as at 30 September 2016 and the 19,188,648,437 Shares in issue as at the date of the Agreement.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Seller by reference to the prevailing trading price of the Shares and the closing price of the Shares prior to the negotiation. The Directors (other than the members of the Whitewash Independent Board Committee and CT Independent Board Committee whose views will be contained in the circular after taking into consideration the advice from the Independent Financial Adviser) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Purchaser and the Seller on normal commercial terms after taking into account a number of factors including but not limited to the net asset value of the Operating Subsidiary as at 31 December 2016 and the business prospects of the Target Group. The Consideration represents approximately 1.77 times of the net asset value of the Operating Subsidiary as at 31 December 2016 attributable to the 40% shareholding interest of the Target Company to be acquired by the Company.

Conditions Precedent

Completion of the Agreement is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

- (a) approvals having been obtained from the Independent Shareholders at the SGM for, *inter alia* (i) the terms and conditions of the Agreement; (ii) the proposed grant of the Specific Mandate for the issuance of the Consideration Shares; and (iii) the Whitewash Waiver;
- (b) the Executive granting the Whitewash Waiver to the Seller and the Whitewash Waiver remaining valid;
- (c) all necessary licenses, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of the Target Company, other relevant third parties and/or governmental or regulatory authorities or bodies (including the relevant PRC, Hong Kong and the BVI bodies), which are required for the execution and performance of the Agreement or Completion, having been obtained and not having been revoked prior to Completion;
- (d) all necessary licenses, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, relevant government, governmental, quasi-governmental, statutory or regulatory authorities or bodies (including the Stock Exchange, Securities and Futures Commission and the Bermuda bodies), which are required for the execution and performance of the Agreement or Completion, having been obtained and not having been revoked prior to Completion;

- (e) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange;
- (f) the warranties given by the Purchaser in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;
- (g) the warranties given by the Seller in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;
- (h) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of the Target Group having occurred since 31 December 2016;
- (i) the Seller having performed and complied with all agreements, obligations and conditions contained in the Agreement that are required to be performed or complied with by it on or before Completion; and
- (j) the Purchaser having conducted the business, legal and financial due diligence in respect of the Target Group to its satisfaction.

Neither the Purchaser nor the Seller shall have the right to waive any of the conditions set out in paragraphs (a) to (e) above. The Purchaser may at its discretion waive any of the conditions set out in paragraphs (g) to (j) above and the Seller may at its discretion waive the condition set out in paragraph (f) above. The above conditions are expected to be satisfied or waived on or before 30 September 2017 (or such later date as the parties to the Agreement may agree in writing). If any of the conditions has not been satisfied or waived by then, the Agreement shall be terminated and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof. Save and except for the Independent Shareholders' approval pursuant to paragraph (a), the granting of the Whitewash Waiver by the Executive and the granting of the listing approval of the Consideration Shares by the Stock Exchange, the Seller and the Company, to their best knowledge and belief and as at the date of this announcement, are not aware of any other approvals or consents required pursuant to paragraphs (c) and (d) above.

Completion

Completion of the Agreement will take place on the second Business Day (or such other date as the parties to the Agreement shall agree) after all the conditions to the Agreement as set out in the section headed "Conditions Precedent" above have either been fulfilled or (as the case may be) waived.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is engaged in a wide range of financial services businesses including, among others, financial leasing, and investment in listed and unlisted securities. It has been the Group's plan to broaden and strengthen its exposure in these two business segments to boost the investment returns, and it considers a minority interest in the Target Company an ideal complement to its investment in unlisted securities portfolio.

The Target Group is engaged in various leasing businesses, such as direct leasing, finance leasing and operating leasing in the PRC, purchasing assets subject to a lease within and outside of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC. The Seller is a wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd., a well-established company wholly owned by Shandong Provincial State-owned Assets and Administration Commission with strong capabilities in the PRC that has been elected as a top 500 China Enterprise for the eighth year running. The Target Group has relied on the strengths of Shandong Hi-Speed Group Co., Ltd in branding, distribution channel and capital resources for entering into new markets, having in-depth cooperation with Shandong Hi-Speed Group Co., Ltd and its subsidiaries on basic transportation facilities and other companies on oil equipment and agricultural chemistry businesses for launching the financial leasing business. The Acquisition will allow the Group to obtain exposure in the “One Belt, One Road” initiative under the national strategy of the PRC through its investment in the Target Group, which will seek the potential investment opportunities in more than 60 countries along the “Belt and Road”. The main investment areas include infrastructure construction (including financial and social infrastructure) and Private Equity. Other investment areas include logistics, industrial development, real estate development, public facilities construction, medical facilities and equipment, educational and cultural development, etc. All the investment areas need the participation of financial leasing companies in order to improve the utilization of capital.

Unlike its direct ownership in and operation of other financial leasing business, the Company intends to leverage on the advantages of Shandong Hi-Speed Group Co., Ltd’s ownership and continued management of the Target Group. Based on the understanding that Shandong Hi-Speed Group Co., Ltd shall remain as the only controller of the Target Group and continue to exert its influence over the Target Group, the Company intends to invest in the Target Group as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Company will only acquire 40% of the issued share capital of the Target Company. Upon completion, the minority interest in the Target Company acquired by the Company will be held as part of its capital investment alongside with its investments in other listed or unlisted securities portfolio. The Company will not have control nor influence over the management of the Target Company through having representation on the Target Company’s board of directors or commitment of financial support and resources to the Target Group after Completion, but will seek to secure a stable and reasonable return out of its investments by way of dividends and capital gains.

Taking into consideration the reasons for and benefit of the Acquisition to the Group, the Directors (other than the members of the Whitewash Independent Board Committee and the CT Independent Board Committee whose views will be contained in the circular after taking into consideration the advice from the Independent Financial Adviser) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors (other than the members of the Whitewash Independent Board Committee and CT Independent Board Committee whose views will be contained in the circular after taking into consideration the advice from the Independent Financial Adviser) are also of the view that the terms of the Agreement, including the Consideration which have been reached after arm’s length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES AND THE TARGET COMPANY

Information on the Company and the Purchaser

The Company is an investment holding company incorporated in Bermuda with limited liability and its subsidiaries are principally engaged in the provision of financial services, including (i) financial leasing; (ii) investment in listed and unlisted securities; (iii) money lending business; and (iv) operation of an asset trading platform.

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of the Company.

Information on the Seller and Shandong Rural

The Seller is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. As at the date of this announcement, the Seller and its concert parties were interested in 28.5% of the entire issued share capital of the Company through its indirect wholly-owned subsidiary. The Seller is a wholly-owned subsidiary of Shandong Rural.

Shandong Rural is a company incorporated in the PRC with limited liability, which is principally engaged in investment holding. Shandong Rural is wholly-owned by Shandong Hi-Speed Group Co., Ltd and ultimately wholly-owned by the Shandong Provincial State-owned Assets and Administration Commission.

Information on the Target Company

The Target Company is an investment holding company incorporated in the BVI with limited liability, which holds the entire interest in the Operating Subsidiary, being its only operating subsidiary which is engaged in various leasing businesses, such as direct leasing, finance leasing and operating leasing in the PRC, purchasing assets subject to a lease within and out of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC.

Financial Information of the Target Group

The Target Company is an investment holding company incorporated in the BVI with no business operations other than holding the entire interest in the Operating Subsidiary. Based on the audited financial statements of the Operating Subsidiary prepared based on PRC GAAP, (i) the net profit before and after taxation for the year ended 31 December 2015 were approximately HK\$27.4 million and HK\$20.6 million respectively; and (ii) the net profit before and after taxation for the year ended 31 December 2016 were approximately HK\$89.9 million and HK\$67.4 million respectively.

Based on the audited financial statements of the Operating Subsidiary prepared based on PRC GAAP, the net asset value and total assets of the Operating Subsidiary as at 31 December 2016 were approximately HK\$2,118.6 million and HK\$3,832.3 million respectively. The cost of investment in the Operating Subsidiary by the Seller was approximately USD280 million.

PROPOSED GRANT OF SPECIFIC MANDATE

The Company will issue 5,000,000,000 Consideration Shares in consideration of the Acquisition. The Consideration Shares will be issued and allotted under the Specific Mandate proposed to be granted by the Independent Shareholders at the SGM.

EFFECT ON THE SHAREHOLDING OF THE COMPANY IMMEDIATELY UPON COMPLETION

Assuming there will not be any change in the issued share capital of the Company from the date of this announcement up to the Completion of the Agreement (other than changes as a result of Acquisition), set out below is the table of the shareholdings in the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Acquisition:

	As at the date of this announcement		Immediately upon completion of Acquisition	
	Number of Shares held	Approximate percentage of total issued Shares	Number of Shares held	Approximate percentage of total issued Shares
Shareholders				
<i>The Seller and its concert parties</i>				
Shandong Hi-Speed Group Co. Limited (山東高速集團有限公司) (Note 1)	5,459,648,350	28.5%	10,459,648,350	43.2%
Sub-total	5,459,648,350	28.5%	10,459,648,350	43.2%
<i>Other substantial Shareholders</i>				
Li Shao Yu and her concert parties (Note 2)	3,547,689,650	18.5%	3,547,689,650	14.7%
Sub-total	3,547,689,650	18.5%	3,547,689,650	14.7%
<i>Public Shareholders</i>				
Huang Rulun and his concert parties (Note 3)	1,320,000,000	6.9%	1,320,000,000	5.5%
Ji Kewei and his concert parties (Note 4)	1,089,156,146	5.7%	1,089,156,146	4.5%
Wang Zi Yi	1,083,538,169	5.7%	1,083,538,169	4.5%
Other Public Shareholders	6,688,616,122	34.7%	6,688,616,122	27.6%
Sub-total	10,181,310,437	53.0%	10,181,310,437	42.1%
Total	19,188,648,437	100%	24,188,648,437	100%

Notes:

- Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability. In addition, Shandong Hi-Speed Group Co., Ltd. is also deemed to be interested in the 5,000,000,000 Consideration Shares to be issued to the Seller pursuant to the SFO by virtue of the Seller being a subsidiary of Shandong Rural, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd..
- 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 in turn 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 TRXY Development (HK) Limited pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9%, respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly-owned by Ms. Li Shao Yu.

3. 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.
4. Mr. Ji Kewei is deemed to be interested in 1,083,539,169 Shares held by Chinanet Consultancy Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.

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

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Seller and parties acting in concert were interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. Immediately upon completion of the Acquisition, the Seller and parties acting in concert with it will hold 10,459,648,350 Shares, representing approximately 43.2% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares. The Seller will incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Seller and its concert parties in the absence of the Whitewash Waiver.

An application will be made on behalf of the Seller to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. The Whitewash Waiver, if granted by the Executive, would be subject to approval by the Independent Shareholders by way of poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Agreement shall lapse and the Acquisition will not proceed.

The Seller and its concert parties will (and any other Shareholder who is involved or interested in the Acquisition, the Specific Mandate and the Whitewash Waiver will be required to) abstain from voting in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM.

As at the date of this announcement, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the whitewash waiver if the Acquisition does not comply with other applicable rules and regulations.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Seller and the parties acting in concert with each of them has confirmed that neither it nor any persons acting in concert with it:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of this announcement;
- (b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Seller and which might be material to the transactions contemplated under the Agreement and/or the Whitewash Waiver;
- (d) has received any irrevocable commitment from any Shareholder as to whether they will vote for or against the resolution approving the Acquisition and/or the Whitewash Waiver to be proposed at the SGM as at the date of this announcement;
- (e) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable);
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (g) save as the Agreement, has no other arrangement or agreement with the Shareholders, the Company and its concert parties.

The Seller is wholly-owned by Shandong Rural, which is then wholly-owned by Shandong Hi-Speed Group Co., Ltd and ultimately wholly-owned by the Shandong Provincial State-owned Assets and Administration Commission.

IMPLICATIONS OF UNDER THE LISTING RULES

As at the date of this announcement, the Seller and its concert parties were interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. The Seller is an associate of a substantial shareholder and hence, a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but are all less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

WHITEWASH INDEPENDENT BOARD COMMITTEE AND CT INDEPENDENT BOARD COMMITTEE

Pursuant to the Takeovers Code, the Whitewash Independent Board Committee (comprising all the independent non-executive Directors and non-executive Directors, save and except for Mr. Li Hang as explained below) has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. As Mr. Li Hang, a non-executive Director, also holds directorship(s) with the Seller's associates, he has not been included as a member of the Whitewash Independent Board Committee.

Pursuant to the Listing Rules, the CT Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder and the Specific Mandate.

Save as disclosed above, none of the members of the Whitewash Independent Board Committee and the CT Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement, the Specific Mandate or the Whitewash Waiver.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Octal Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Whitewash Independent Board Committee and CT Independent Board Committee to advise the Whitewash Independent Board Committee, the CT Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver (as the case may be) are fair and reasonable, and to make recommendation(s) on voting.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Whitewash Independent Board Committee and the CT Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Whitewash Independent Board Committee and the CT Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; and (iv) the notice of the SGM and forms of proxy, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

The Company may require additional time for finalising the information for inclusion in the circular such as the financial information of the Group and the Target Group, hence if required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code for the extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE GRANTING OF THE WHITEWASH WAIVER BY THE EXECUTIVE, AND CONSEQUENTLY THE ACQUISITION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

DEFINITIONS

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

“Acquisition”	the acquisition of the 40% equity interest in the Target Company by the Purchaser from the Seller pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 25 April 2017 entered into between the Purchaser, the Seller and Shandong Rural in respect of the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm or public holiday in Hong Kong or the PRC) on which Hong Kong clearing banks are open for the transaction of normal banking business
“BVI”	the British Virgin Islands
“Circular”	the circular to be sent to the Shareholders in relation to, among other things, the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Company”	China Innovative Finance Group Limited (中國新金融集團有限公司), a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	HK\$1,500,000,000, being the consideration for the Acquisition
“Consideration Shares”	the 5,000,000,000 Shares to be issued and allotted by the Company for settlement of the Consideration
“CT Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, which has been formed pursuant to the Listing Rules for the purpose of advising the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and the Specific Mandate
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Whitewash Independent Board Committee and the CT Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver (as the case may be)
“Independent Shareholders”	Shareholders other than: (i) the Seller and its concert parties; and (ii) all other Shareholders (if any) who are involved or interested in the Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver
“Issue Price”	HK\$0.3 per Consideration Share
“Last Trading Day”	25 April 2017, being the last day on which the Shares were traded on the Stock Exchange prior to the issue of this announcement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Subsidiary”	Shandong Hi-Speed Global Finance and Leasing Company Limited* (山東高速環球融資租賃有限公司), a company incorporated in the PRC with limited liability, which is wholly owned by the Target Company
“PRC”	The People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Viewlock Limited (視樂有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Seller”	Shandong International (Hong Kong) Limited (山東國際(香港)有限公司), a company incorporated in Hong Kong with limited liability and a connected person of the Company
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Shandong Rural”	Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司), a company incorporated in the PRC with limited liability
“Share(s)”	shares(s) of the Company of HK\$0.00025 each

“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate to be approved by the Independent Shareholders at the SGM for the allotment and issuance of the Consideration Shares under the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	Shandong Hi-Speed (BVI) International Holding Company Limited (山東高速(BVI)國際控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by the Seller as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Whitewash Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors and non-executive Directors save and except for Mr. Li Hang, which has been formed pursuant to the Takeovers Code for the purpose of advising the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Seller to make a mandatory general offer all the securities of the Company not already owned or agreed to be acquired by the Seller and its concert parties which would otherwise arise as a result of the issuance and allotment of the Consideration Shares under the Agreement
“%”	per cent.

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included in this announcement for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

By Order of the Board
China Innovative Finance Group Limited
Li Hang
Chairman

Hong Kong, 25 April 2017

As at the date of this announcement, the Company has four executive directors, being Ms. Cheng Yan, Mr. Wang Zhenjiang, Mr. Yau Wai Lung and Mr. Ma Chao; two non-executive directors, being Mr. Li Hang and Mr. Qiu Jianyang; and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.